

Kushim Report  
2020



#### Thoughts behind Our Logo

The red circle in the logo depicts the motif of the Japanese national flag to denote that the company emanates from Japan.

Symbols inside the logo depict barley, which was found etched on a clay table that has the earliest recorded name of person ever found in history. Barley is the world's oldest crop and one that remains cultivated today, being an indispensable part of our lives. This was used because it expresses the Company's desire to be a necessary presence in the coming digital society of the future.

The Company name is expressed in Roman characters to incorporate the image of a company with development aspects that launch it into the world.

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#### Editorial Policy

Kushim Inc. issued Kushim Report 2020, its first corporate report, for the purpose of enabling all stakeholders, including shareholders and investors, an understanding of the Kushim Group's medium- to long-term value creation. For editing this report, we used references such as the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation, gathered information of the greatest importance and strived to describe initiatives in an easily understandable manner. Going forward, the Company shall endeavor to enhance content even further and continue to fulfill its accountability while reflecting stakeholders' opinions.

#### Applicable Period

November 1, 2019–October 31, 2020

#### Our Philosophy

Contribute to continued corporate growth and aim to create a more affluent society by providing solutions to support growth of people and organizations.

#### People's Growth

We provide highly satisfying, effective training services through attractive content and flexible learning management platforms to realize the growth of all people involved in companies.

#### Organizations' Growth

We provide services so that customers' ever-growing organizations can actively cooperate at anytime, anywhere and with anyone, to share corporate principles and objectives and to maintain organizations that are worthwhile to work for.

#### Our Vision

We aim to be a solutions company symbolic of Japan in the Human Resources Tech (HR Tech) and Education Tech (Ed Tech) fields.

# HR Tech × Ed Tech

A coined term combining human resources (HR) and technology

Startups are the driving force of market growth and attract attention for reasons such as the large number of companies successfully procuring funding in billions of yen.

A coined term combining education and technology

In the education and IT sectors where education using technology will bring about innovation, expectations are high of forming a significant market in the near future.

# History

## Source of Our Value Creation

The Company changed its name to Kushim Inc. on May 1, 2020, continuing to carry on its DNA from foundation and with the desire to further accelerate growth in our second foundation stage and to redefine the business model we had used until that time.

In anticipation of the future and to respond flexibly to social reforms, we promote business category transformation with the aim of achieving our vision and medium-term management goals with a sense of speed.

## Foundation Period

1997—2000

Founded at a time when computer use was beginning to spread to individuals, enabling digital learning

- **June 1997**  
Predecessor company established
- **August 1999**  
Started the iLearning Business (today's e-Learning Business)

## Development Period

2001—2018

Increasing recognition of online learning due to the spread of the internet and technology

- **August 2014**  
Listed on the Second Section of the Tokyo Stock Exchange
- **December 2015**  
Started business alliance with V-cube, Inc.
- **April 2016**  
Changed company name to iStudy Co. Ltd.
- **April 2017**  
Launched sales of Qumu, a video streaming solution for companies
- **August 2017**  
Started a business alliance with FISCO Ltd. group companies
- **December 2017**  
Started a capital and business alliance with CAICA, Inc.
- **May 2018**  
Launched the iStudy ACADEMY Business

## Second Foundation Period

2019—

Aim to be a solutions company symbolic of Japan in the HR Tech and Ed Tech fields.

- **October 2019**  
Made aim-soft Inc. a subsidiary (now Kushim Soft Inc.)
- **November 2019**  
Started joint research on constructing AI detection systems with Matsuo Lab., the University of Tokyo
- **November 2019**  
Launched sales of new learning management system (LMS) SLAP
- **November 2019**  
Made Tokyo Tech Corporation (now Kushim Technologies Inc.) a subsidiary
- **December 2019**  
Joined the Blockchain Collaboration Consortium
- **December 2019**  
Business alliance with Stake Technologies Inc.
- **February 2020**  
Made CCCT Inc. (now Kushim Insight, Inc.) a subsidiary
- **March 2020**  
Capital and business alliance with Turingum Inc.
- **March 2020**  
Capital and business alliance with FISCO Research & Institute
- **April 2020**  
Business alliance with NCXX Group Inc.
- **April 2020**  
Business alliance with Web Travel Co., Ltd.
- **May 2020**  
Made Care Dynamics a consolidated subsidiary
- **May 2020**  
Made e frontier, Inc. a consolidated subsidiary
- **June 2020**  
Capital and business alliance with regist ART Inc.
- **October 2020**  
Business alliance with Zettant Inc.

# e-Learning

## SLAP

### What is SLAP?

SLAP is an acronym of Smart Learning Accelerator Platform and is an e-learning LMS with the service concept of joyful learning anytime, anywhere. SLAP is an e-learning system that supports each individual's learning and growth with a sophisticated and easily understandable interface, supporting mobile lectures and enabling learning during spare time without having to worry about finding a place to study.

#### Three Features of SLAP

Feature  
**1**

#### Simple to create original e-learning content

Create e-learning content easily by preparing learning materials in Office tools like PowerPoint or Excel and convert using the CreatorNEO function provided as an add-in. And by simply adding text to PowerPoint notes it also enables narration through a synthesized voice.

Feature  
**2**

#### Multi-device support

Usable in computers, smartphones or tablets. Spare time can be used effectively for learning, which can be done anywhere like an office, as a matter of course, but also while outside or on the move.

Feature  
**3**

#### In addition to the cloud edition, we also provide an on-premises edition

In addition to the cloud edition enabling an immediate start to e-learning, we also provide an on-premises edition for customers with strict security or those operating on their own original infrastructure environment.

### SLAP $\alpha$

Sales functions have been added to ready-made content the Kushim Group handles and was released in November 2020. Going forward, to further expand the content lineup and consider adding new functions, providing these new services associated with SLAP raises expectations of creating a system capable of rapidly responding to customer requirements, including shorter development lead times.

#### 1. Advanced technology content (planned for sequential enhancement)

Examples: AI (G-certificate examination/ E certificate), deep learning, blockchain, data scientists, web app and web security, etc.

#### 2. Industry type specialized content

Examples: HR content such as "Keys to Compliance," food education content

#### 3. Content for qualification acquisition (mainly IT skills)

Examples: Content for those aiming to acquire IT qualifications such as for IT project management or Oracle Master

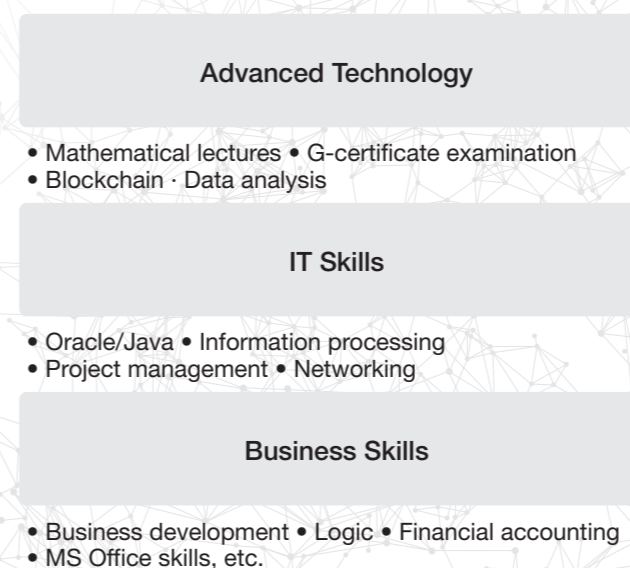
## iStudy LMS

Full-spec LMS. Equipped with a rich array of functions including e-learning, training management, learning management, content management, group training management and skill management. Ascertain employee skills and status of qualification acquisition at a glance. Enables proposing appropriate training plans with understanding individuals' learning progress.



## e-Content

Enables skill acquisition through systematic e-learning including AI, blockchain, IoT and new business development. Also handle content for those aiming to acquire IT qualification such as IT project management or Oracle Master.



## Studio

Video content such as for in-house training can be outsourced to teaching material professionals. From planning and designing content to layout, video recording, editing and creating materials. Kushim, which specializes in e-learning and has a wealth of experience in introducing it to corporations, provides support through the entire process. High quality video recording takes place in Studio Octo, located in the highly accessible Yebisu Garden Place tower, and customers can choose from among 8 studios, including small, medium and large studios, depending on their needs.

# Academy

## 01 Development and Production of Advanced IT Personnel

This is a service that carries out development of personnel dedicated to technologies like AI and blockchain, and produces personnel that can provide the world with cutting-edge technology as IT personnel with a skill level that is advanced even among engineers. Through cutting-edge technology, it will become possible to solve system issues as well as managerial issues.

### Development

We develop personnel in advanced IT fields such as AI and blockchain technology through e-learning and by appointing specialized instructors. While skills as a basic IT engineer are necessary, it is possible to make a transition into an engineer with high future market value.

### Production

We bring the advanced IT personnel that have been developed into various projects. To the personnel, it provides a place in which to demonstrate the skills they have cultivated, while the company that accepts them gains personnel from a challenging field who possess new technologies for an unknown project that is done through guesswork. As a result, significant synergetic effects are generated for both parties.

### Contracted System Development

With AI, blockchain, IoT, communications (5G), and IT security technologies as our focus fields, we give support as a partner for POC (Proof of Concept) in anticipation of implementation in each business scenario, collaborative research and system development.

### Security Consulting Service

For security issues faced by companies, we offer appropriate advice suited to a wide variety of business scenarios. We offer flexible support that matches each company's circumstances toward maintenance of a sound corporate system to handle classified information such as private information.

We support clients' managerial issues through a one-stop service from planning and development to operation and maintenance. We also provide services such as support for acquiring qualification certification like corporate qualification in the field of security, PrivacyMark, and ISMS, as well as measures and consultation to improve company security.

## 02 System Engineering Service

Kushim Soft Inc., a Group subsidiary, is responsible for this. It provides streamlined engineering services from planning (requirements analysis and requirement definition) in IT system development (programming, etc.), design and development and testing at the implementation stage, to operation/maintenance.

### Track Record of Development for a Wide Variety of Industries

We have a track record of being involved with system development for various business categories, and do not lean in favor of any particular industry among finance, communications, transportation and distribution, manufacturing, medicine, and government. Our engineering service fully guarantees strict adherence to delivery dates and quality.

### Support for Various Programming Languages

We back up engineer groups who provide technical support for open systems with programming codes such as Java and C# and for mainframe systems with programming codes like COBOL. We have a definitive track record in support for projects in a wide variety of programming languages.

### Solving IT-related Concerns with Abundant Knowledge

We develop "Care Smart," a general IT contract service that can handle any consultations about IT. Engineers, who even carry out programming, closely support the needs of caregiving job sites. We provide secure and high-quality services that make it seem like there is a dedicated technician within the company.

### Promoting DX in the Caregiving Field

We propose promotion of DX at each area of caregiving job sites by utilizing IoT for various issues that are likely to occur on-site. This includes "Care Online," an ASP service for caregiving businesses that can streamline office work at caregiving job sites and centralize management; collaborative platform "SCOP," which is linked with cloud-based caregiving robots; and "Care Smart," which can handle any consultations about IT at caregiving job sites.

## 04 Caregiving DX Service

We work on building sophisticated caregiving environments through provision of ASP systems for caregiving businesses and information and communications technology such as introduction of caregiving robots. As a comprehensive caregiving business support company, we work to make caregiving job sites labor-saving and efficient, and offer the best services for all personnel associated with caregiving.

# Incubation

## Contracted Research of Cutting-edge Technology

We promote the wide use and social implementation of advanced IT technology, and support the digital transformation of Japan's industrial structure. Above all, with AI, blockchain, IoT, communications (5G), and IT security technologies as our focus fields, we give support as a partner for POC (Proof of Concept) in anticipation of implementation in each business scenario, collaborative research and system development. Tailormade verification processes and landmark designs are made possible through collaboration with university research institutions and major participating engineering teams around the world.



## DX Consulting Business

We achieve reliable system development while utilizing our varied track record and expertise in each industry and operation, and also improving safety and convenience. We also assemble more suitable project teams for proposals of construction plans, and generate speedy results for system construction and development.

### DX Consulting

This refers to all processes offered and expressed digitally. Utilizing digital technologies such as AI and IoT, we propose systems that allow companies to continually provide processes that are optimized for users.

### UI/UX Consulting

For companies that have clear targets, and wish to improve the bounce rate or conversion rate of websites or landing pages, we propose systems designated for improving and optimizing UI (User Interface).

## Business for Social Implementation of Advanced Technology

In view of the progress of development in cryptocurrency staking service applications and considerations toward lifting bans on holding shareholder meetings completely online in the fields of decentralized application/decentralized finance, we have begun working on development of a system to manage exercising of voting rights for shareholders. This system is required for the realization of hybrid shareholder meetings that are attended both physically and virtually. We completed development of the system at the end of October 2020, and provide live streaming with quality no different from a shareholders meeting that is physically attended.



## Investment and Loan and Incubation

With a focus on advanced technology in the constantly evolving field of IT, we conduct investment and loans that contribute to the social implementation and social contribution of that technology. In addition, we provide various types of consulting including matters related to management in business development and project promotion, and support incubation.

### Investment and Loans

We actively conduct investment and loans for advanced technology such as AI, blockchains, IoT, communications (5G), and IT security technologies that contribute to the digitalization of industrial structure, and support enhancement of industrial competition within Japan. Moreover, the targets of investment and loans can be handled flexibly on an individual basis for each corporate entity and project, etc.

### Incubation

We offer management consulting for topics like business model construction, marketing, organizational personnel, funding, and capitalization strategy, primarily for the target companies of investment and loan that possess advanced technology, and serve a role of incubation for business and organization.

## Aiming to Be Japan’s Leading Solution Company Through the Ceaseless Pursuit of Self-Transformation

“Design strategies by backcasting from our vision for the future, instead of predicting the future by the past, with the aim of achieving our medium-term management targets through the self-sustained growth of each business and M&As”



**Hiroki Nakagawa**  
President and Representative Director

### Making a Fresh Start, Along with Adopting a New Company Name

A little more than one year has passed since I was appointed as the representative director of iStudy Co., Ltd. in March 2019. In the past year or so, we drove transformation of our business formats and proactively carried out M&As under a new management framework. As a result, we have created synergies with aim-soft Inc. (currently Kushim Soft Inc.), Tokyo Tech Corporation (currently Kushim Technologies Inc.) and CCCT Inc. (currently Kushim Insight, Inc.). We have now grown into a group with around 70 fellow colleagues. I would like to express my heartfelt gratitude to all our stakeholders for their tremendous support to date.

In May 2020, we changed our name from iStudy Co., Ltd. to Kushim Inc. and took our first new steps as the Kushim Group. All employees and the entire Group have worked as one to overcome the difficult challenges that arose after the sudden outbreak of COVID-19. I believe that these Group-wide efforts have become a major source of strength for us.

Kushim is actively promoting the self-sustained growth of each of its businesses and building a unique business portfolio using M&As. Concurrently, Kushim is creating a competitive edge by generating synergies between its businesses.

With e frontier, Inc., Kushim will strive to capture synergies in content production in the e-learning business field. With Kushim Soft Inc. and Kushim

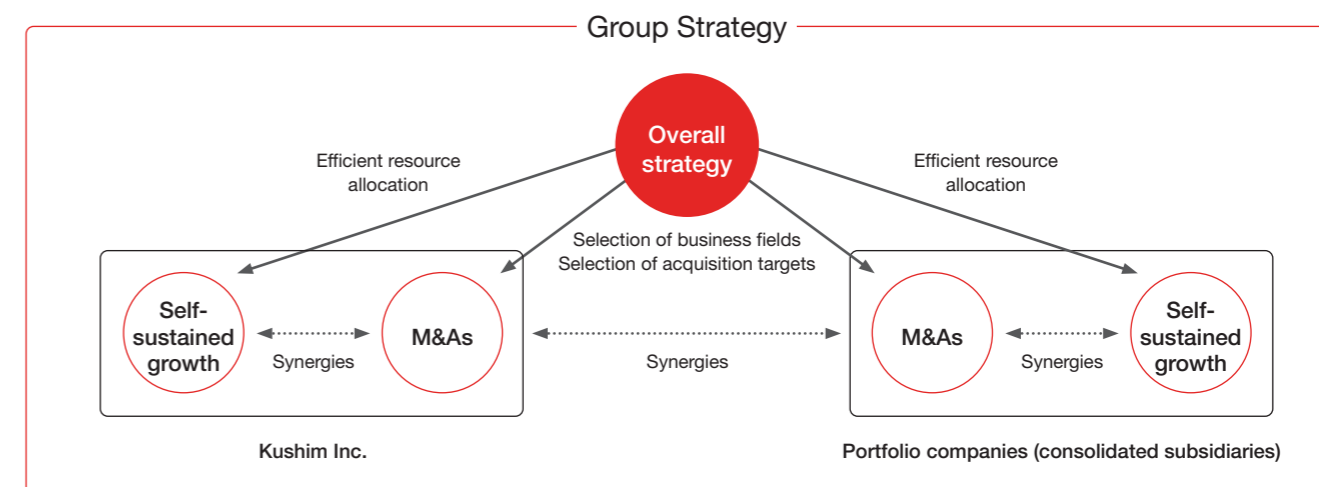
Technologies Inc., Kushim will work to advance IT engineer dispatching services and outsourced development of Web systems. In addition, leveraging its project track record in advanced technology fields such as blockchain technology, Kushim Insight, Inc. will seek to upgrade and expand businesses aimed at carrying out joint research with attractive partners and applying the research achievements to society. Care Dynamics Limited aims to become an enterprise that drives digital transformation (DX) in the nursing care field. Notably, Care Dynamics succeeded in improving profitability by leveraging synergies with Kushim Soft Inc.

We will continue striving to achieve Group-wide optimization. To this end, we will work to implement strategy formulation, Group-wide resource allocation, and expansion of business fields considering Group-wide profits.

My original involvement with iStudy Co., Ltd. began when I had the opportunity to serve as a part-time director of the Company in 2017. Together with Mr. Ito, director

and CFO of the Company, I advanced management reforms based on the slogan of achieving the Company’s “second founding.” By 2019, we had dramatically improved iStudy’s corporate value. I thought that would be a good time to resign as a member of management. However, all that changed as management decided to search for attractive partner companies to expand business further. In February 2019, CAICA concluded a tender offer for the Company’s shares. With that event, Mr. Ito and I were encouraged to stay onboard as directors of the Company, bringing us to the present day.

In the ensuing three years or so since then, we have achieved a major transformation. We have undertaken measures such as transforming the business structure, and building a Group management structure with subsidiaries through M&As. While these measures were what we had intended from the start, I am amazed at the greater-than-expected speed at which these measures have progressed.



### Issues Brought into Focus Since My Appointment that Must Be Solved

iStudy Co., Ltd. has consistently provided human resources training services to companies for more than 20 years. iStudy started out in the training business for vendor certification from Oracle, IBM and others and expanded to e-learning services and the LMS (Learning Management System) business. In 2017, when I took office as an outside director, I felt that although iStudy was a great company, it was not performing to its full potential.

iStudy was listed on the Mothers market four years after its founding and was redesignated to the Second Section of the Tokyo Stock Exchange in 2014. During this period, society and the external environment surrounding the Company’s businesses had changed dramatically, and we needed to explore new priorities for the future.

One of those priorities was the need to rebuild our corporate brand. In the industry, iStudy was well known as a provider of Oracle training, and this was its corporate image. In reality, however, the LMS (Learning Management System) business and software sales were

the main pillars of its business. Considering this situation, we first needed to create a new recognition of the

Company by carrying out corporate rebranding and concurrently setting forth a new growth strategy.

Major M&A Deals Since the Fiscal Year Ended October 31, 2019

**aim-soft Inc. (currently Kushim Soft Inc.)** (October 2019)

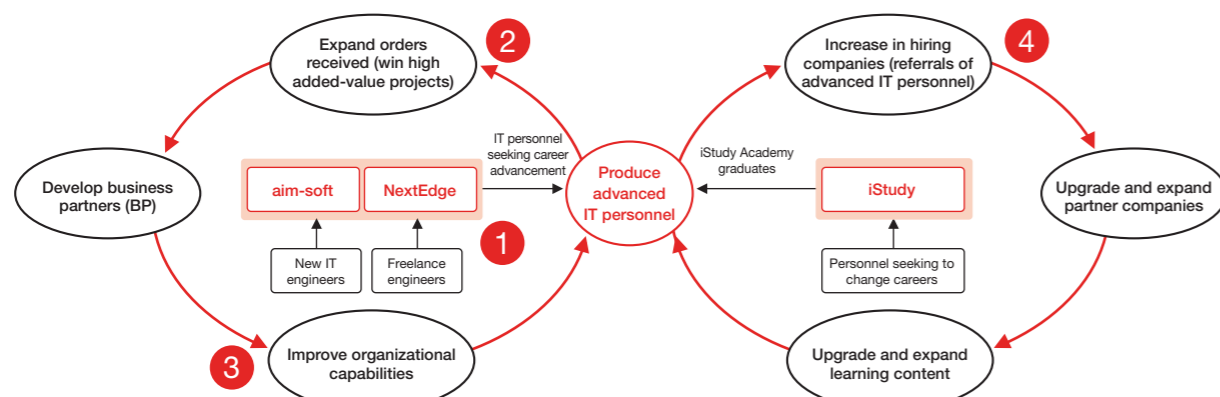
aim-soft Inc. (currently Kushim Soft Inc.) is a system development company that provides system engineering services to major companies. It had share capital of ¥50 million as of May 2019, prior to the M&A deal. Net sales in the fiscal year ended March 31, 2019 amounted to ¥804.5 million. aim-soft Inc. generated 97% of its net sales from onsite customer service work. With the SI business as its core operation, the company also conducted security consulting for some customers. It had many talented engineers and an abundant track record of developing financial systems. aim-soft Inc. had excellent communication skills because it had appointed personnel with engineering experience as members of management, and had earned strong evaluations from customers. The company was also pouring energy into personnel

training. We determined that aim-soft Inc. would be an ideal company to bring onboard as a strategic partner of the Kushim Group, which is strongly committed to the growth of its personnel.

Following Japan's declaration of a state of emergency due to COVID-19 in April 2020, aim-soft's businesses faced a challenging situation. Management decided to protect the jobs of engineers by leveraging Group synergies. In May 2020, aim-soft turned Care Dynamics Limited, which conducts nursing care system and nursing care robot businesses, into a wholly owned subsidiary. In collaboration with the Development Center of aim-soft's Shimane Office, we established the ASP service development and delivery business for nursing care providers and commenced maintenance and management operations in July 2019.

**A Mutually Win-Win Self-Sustained Growth Model**

During the current Medium-Term Management Plan (FY2019–FY2022), the Company aims to realize the following four synergies:



**Tokyo Tech Corporation (currently Kushim Technologies Inc.)** (November 2019)

Tokyo Tech Corporation has been driving growth in its business results through the development of Web systems. Tokyo Tech is working to upgrade and expand its e-learning business by retraining its talented engineers in Kushim's Academy Business and building up their knowledge base. Tokyo Tech will recruit engineers who have completed the advanced IT personnel course in the Academy Business, and work to expand the systems development business, which requires even more advanced skills.

**CCCT Inc. (currently Kushim Insight, Inc.)** (March 2020)

CCCT Inc. is engaged in operations ranging from cryptocurrency exchange-related systems development to maintenance and operation and sales. CCCT is working to improve content production capabilities for the e-learning business, using its knowledge of UI/UX design and graphic design accumulated through its businesses. At the same time, CCCT aims to win system engineering projects that require UI/UX consulting and design in the Academy Business.

**Care Dynamics Limited** (April 2020)

Care Dynamics Limited was established in 2013 and is engaged in the business of supplying an internally developed ASP system to nursing care providers. Care Dynamics has already built a track record of deploying the ASP system at more than 400 nursing care facilities. Moreover, in addition to the ASP system, Care Dynamics has upgraded and expanded its hardware and telecommunication technology through measures such as support for the introduction of nursing care robots as an agency for CYBERDYNE Inc. and construction of smart nursing care environments using ICT. Through these efforts, Care Dynamics is striving to transform itself into a comprehensive nursing care business support services company that provides optimal services to all those involved in nursing care.

**e frontier, Inc.** (May 2020)

e frontier, Inc. is a software development company that excels in 3D graphics, AI and game software development, and AI and image processing. Since August 2017, e frontier has been in a business alliance with the Company. By turning e frontier into a consolidated subsidiary, we have been updating the Company's LMS user interface and function development with AI, gamification and other advances, in preparation to address diversifying needs.

The first step was to change the Company's name to Kushim Inc. Incidentally, the name "Kushim" comes from the world's oldest known recorded name confirmed at the present time. The name is listed on a clay table showing an ancient transaction record made by the ancient Sumerians.

On the business front, the business results of the core LMS business had been experiencing sluggish growth. Since the market itself was growing, I reasoned that it would not be impossible to grow our market share if we only had a strategy for going on the offensive ahead of other companies. We then rebuilt our businesses while capturing synergies with CAICA, as we reshaped our business portfolio.

Another important thing to have when expanding business is business scale. However, with the level of net sales at the time, we had determined that it would be difficult to start rebuilding our businesses. I believed that we could pave a new way forward if I made good use of the business turnaround experience I had developed in my previous post.

**Medium-Term Management Strategy Formulated Through Backcasting**

When I was officially appointed as president of Kushim, I immediately began formulating a new Medium-Term Management Plan under a new management framework. We needed to identify and reexamine issues and rebuild our brands and businesses, along with crystallizing our intention to expand our business scale into a concrete strategy.

With the Medium-Term Management Plan, we started out by setting forth our vision for who we wanted to be as a company by actively transforming our business formats, while harnessing the assets developed by iStudy, instead of thinking along the lines of the past. Beginning with our ideals for the company in the future, we reviewed the present by backcasting from our ideals and considering what we should do now. Management held repeated discussions on this matter. What emerged from those discussions was a consensus to **"Move forward to the future."** Concurrently, we formulated the new management vision of "Aiming to be Japan's leading solution company in the fields of HR

**Kushim's Management Thinking**

**Kushim designs its management plans by carrying out backcasting to shape the ideal future.**

**Conventional management reforms and transformation at companies**

- Forecasting: Make short-term predictions by projecting past trends into the future
- Identify how the company should be managed over the next 1–2 years or so and strive to maximize profits by efficiently using available business resources.
- However, management is unable to fundamentally transform the company itself in response to changes in current business conditions given the heightened uncertainty about the future

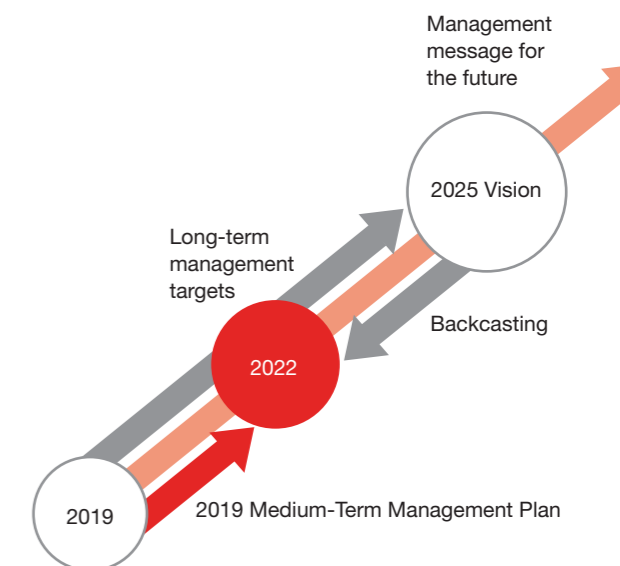
**A paradigm shift in thinking**

**Kushim will implement management reforms and transformation to reach its ideal future.**

- Backcasting can be roughly defined as a long-term thought process to create an ideal future.
- Identifying how the company should be managed over the next 5–7 years from now and transform the company by dynamically acquiring the necessary business resources.
- In the current business environment, there is heightened uncertainty about the future. In such an environment, the power to transform the company with the aforementioned way of thinking will serve as a source of competitiveness.

**Overview of Strategy**

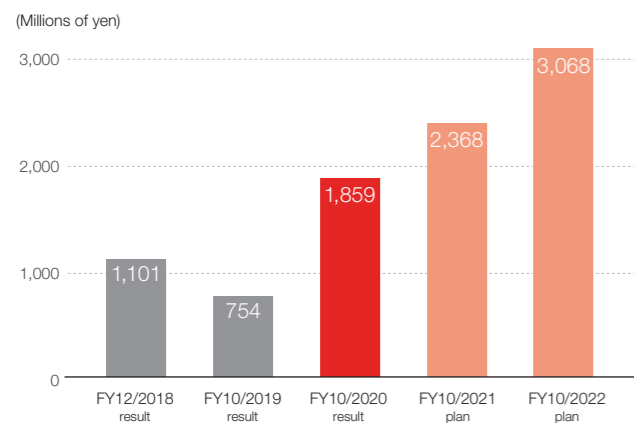
In May 2019, we redefined our vision (i.e., our aspirations for the future) as a blueprint for our steps to reach the next phase of growth. To realize this vision, we have designed long-term management targets. Our Medium-Term Management Plan (FY10/2019–FY10/2022) was formulated by backcasting from those targets. We will work to achieve our targets as we implement gap management regularly and revise our annual plans.





### Numerical Targets of the Medium-Term Management Plan

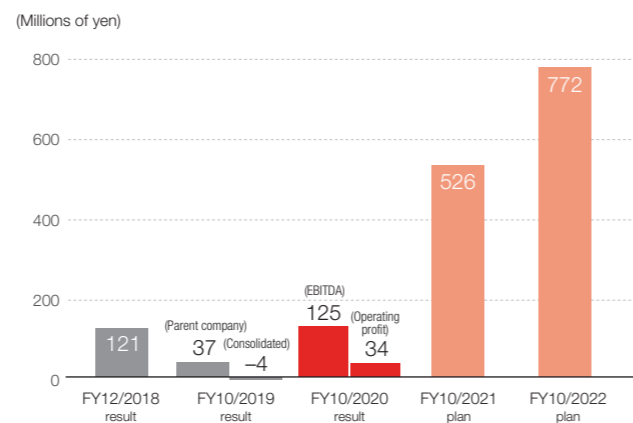
\* Figures for the fiscal year 2018 12 2019 10 10 ended December 2018 are non-consolidated. Figures for the fiscal year ended October 2019 are for a transitional accounting period (10 months).  
**Net Sales Plan**



Tech and Ed Tech,” and drew up long-term management targets through 2025 to realize this vision.

The current medium-term management targets indicate the measures we should implement by fiscal 2022 in order to achieve those long-term management targets. We now find ourselves in what has been described as the “new normal”—a new and highly uncertain business environment that no one had anticipated at all. That is

### Operating Profit Plan



precisely why I believe that setting forth a long-term vision and clearly defining the roadmap to realizing that vision was—and remains—a meaningful approach.

As the main achievements of this approach, we have accomplished an extremely drastic business transformation. We launched two new business segments and conducted four M&As. I do not think anyone would have imagined these activities possible one year ago. Until

### Medium-Term Management Targets

Net sales	Achieve <b>¥3.0 billion or more</b> in the fiscal year ending October 31, 2022
Operating margin	Achieve <b>15% or more</b>
Net margin	Achieve <b>10% or more</b>
Market capitalization	Around <b>¥23.0–30.0 billion</b> in the fiscal year ending October 2022
Dividend policy	Our basic policy is to continuously pay out stable dividends, as we strive to return profits to shareholders, taking into consideration the totality of treasury shares and the total amount of dividends, while giving the highest priority to increasing the value of our shares.
Shareholder returns	We offer a shareholder benefits program for the purpose of rewarding shareholders for their support.

now, the company was unable to draw up a big-picture vision for where it was headed. When we laid out a clear direction and told the company that “this is where we are going,” the employees saw the new direction and the organization started to accelerate forward.

### Four Themes Hold the Key to Accelerating Growth

We have arrived at the midway point of the Medium-Term Management Plan (FY10/2019–FY10/2022). We have set our ideal vision as our goal, so achieving it will not be easy. However, our Group companies have restored profitability and business results have been growing steadily. Seeing the negative impacts of the COVID-19 crisis as a good opportunity to shift to telework and reduce fixed costs, we have upgraded to a lean and low-cost management framework and have been able to build up sustained competitiveness.

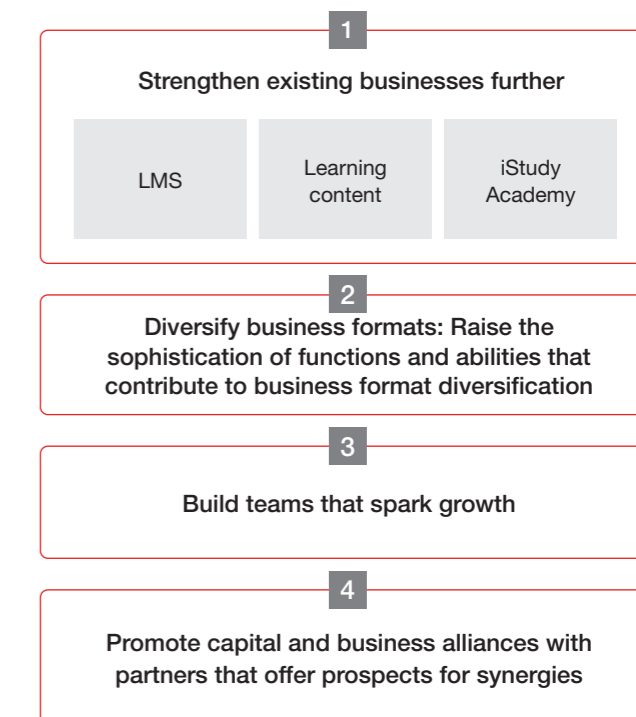
For the fiscal year ending October 31, 2022, we are aiming for dramatic growth, targeting net sales of ¥3.0 billion or more, an operating margin of 15% or more, a net margin of 10% or more, and market capitalization of around ¥23.0–¥30.0 billion. To reach these targets, we will continue to actively implement our management strategies.

At the same time, we aim to improve shareholder value for our shareholders. Looking at our dividend policy, we intend to continuously pay out stable dividends while monitoring the totality of treasury shares and the total amount of dividends, while giving the highest priority to increasing the value of shares. We will also implement a shareholder benefits program to reward our shareholders for their support.

While there is a gap between our target and the current level of market capitalization, our businesses themselves are growing steadily. We will take even stronger strides to put our businesses on a firmer growth track. We will also focus on improving our corporate visibility through active investor relations (IR) and public relations (PR) activities.

Under the Medium-Term Management Plan, we have identified four themes that we will address from the fiscal year ended October 31, 2019 to the fiscal year ending October 31, 2022. The four themes are “Strengthen existing businesses further,” “Diversify business formats: Raise

the sophistication of functions and abilities that contribute to business format diversification,” “Build teams that spark growth” and “Promote capital and business alliances with partners that offer prospects for synergies.”



With regard to strengthening existing businesses further, first Kushim will firmly carry on the e-learning business, which could be described as the founding business built up by iStudy Co., Ltd. The e-learning business embodies something akin to our DNA, which should continue to be passed on to future generations. When it comes to strengthening business and structural reforms, we have no intention of taking for granted or modifying the core aspects of existing businesses.

However, as the business environment undergoes changes, there will inevitably be changes in our business formats and business models. Take, for example, LMS and content, which form the core of the e-learning business. Here, we have revised the system itself from the users’ perspective and released the system in the new formats of SLAP and SLAPα. Going forward, we will continue to compete on the merits of our unique content, which is backed by a proven track record, while expanding initiatives in the B2B area.

Kushim has also launched the “Academy Business,” an operation centered on the development and dispatching of



advanced IT engineers. This business makes the most of Kushim's expertise and human resources in providing e-learning as a solution. Among all of Kushim's businesses, the Academy Business suffered the heaviest impact from COVID-19. However, perseverance through this difficult period paid off, and the Academy Business is now performing very well. There is no doubt that the need for the skills of advanced IT engineers will only continue to increase further.

With regard to diversifying our business formats, Kushim has launched the Incubation Business, an operation that leverages the skills and abilities of IT engineers within the Group. In the Incubation Business, we will promote activities such as winning orders for outsourced system development projects and joint research with external partners. In parallel, we will also enhance our consulting capabilities further.

To build teams that spark growth, Kushim will devote efforts to the recruitment of full-time in-house personnel and professional workers. In particular, we intend to drive our Group-wide businesses forward in step with the rapid growth of our organization and appropriately reinforce staffing of administrative back-office departments. Naturally, we have readied the funds needed to address these priorities.

With regard to promoting capital and business alliances, we intend to make further business investments, including M&As. This is an area where we can take full advantage of the experience we have gained by being on the investment side. It is precisely because we had these means of growth available to us that we have been able to implement M&As at such an overwhelming speed. We have also solidly captured synergies from those M&As.

One frequently misunderstood aspect of these activities is that the act of conducting M&As seldom generates synergies. When companies with different cultures suddenly find themselves to be members of the same group, synergies cannot be generated automatically. M&As are not carried out because they will produce synergies. Instead, synergies are generated after the integration. Mr. Ito and I stand ready and determined to generate synergies with any kind of company, because we have accumulated this kind of experience. For this reason, if we find a proper match between our investment criteria and returns, we will actively implement

M&As. We believe that synergies such as corporate growth and increased corporate value can be created together with the target companies in conjunction with our measures and initiatives.

### Taking a Hands-on Approach to Shaping a Flat Organization with Pleasant Workplaces

I have many years of experience working in investor relations (IR) and investment consulting. For this reason, I have naturally acquired the business skills needed to perform a reductionist corporate analysis and evaluate companies. I also have extensive knowledge of M&As and I am well versed in techniques such as formulating strategies for improving corporate value. That said, in practice, those skills alone are not enough to increase the value of an organization or business. It is crucial for managers to personally take the helm of leadership, communicate with employees and build businesses hands-on. Since my appointment as president, I have carefully shaped the management team and devised management strategies, while reinventing the organization. I have stayed closely attuned to what kinds of members the company has and increased the number of meetings, thereby setting up forums for efficient communication. I have thoughtfully designed the proceedings of meetings and factors such as the chain of command and discretion on the job, so that it is easy for each employee to fully demonstrate his or her strengths. In doing so, I have fostered a work atmosphere that encourages everyone to work closely together.

The same principles apply to our relationships with the subsidiaries that have become our colleagues by joining the Group through M&As. Although Kushim is the parent company in terms of the capital relationship, the managements of the parent and Group companies are all on the same level. When it comes to building businesses, we are partners in a mutually flat relationship, and it is not uncommon for general meetings and business projects to be implemented with the participation of companies throughout the Group. There are some transfers of employees between organizations. In these cases, personnel evaluations of these employees are carried out properly by having the supervisors of the

relevant organizations at the time mutually share their opinions on personnel. In this sense, each of the Group companies is more like a business department of Kushim than a subsidiary of the parent company. Put differently, we are creating new business departments through M&As. The introduction of new perspectives has transformed the awareness of employees, and we are aiming to build an organization where the entire Group shares the same awareness as it strives to reach its targets.

### Protecting Employment and Nurturing Engineers with Human Qualities

I would like to say a few words about Kushim's perspectives on human resources. At the Kushim Group, our fundamental principle is to protect employment. We always strive to anticipate unexpected events in the course of managing our financial position and cash flows. The Academy Business, which is based on staff

dispatching services, was heavily impacted by Japan's state of emergency declaration issued in spring 2020. Consequently, Kushim's overall business performance also came under tremendous pressure. At that time, we decided to augment losses caused by short-term external factors with earnings from the whole Group. Based on this thinking, we managed to overcome the situation through measures such as temporarily transferring personnel to the e-learning business, which had experienced an upturn in business results due to the promotion of remote work. Thanks to these efforts, the Academy Business Department was able to restore substantial growth in its business results from July onward.

In an era when workers are generally believed to be in short supply, it is not a good move for management to reduce personnel on the grounds of an unexpected deterioration in the business environment. What is particularly crucial in the IT engineer profession is how effectively the IT engineers can work together with businesspeople who are not familiar with IT engineering. It is important to have the ability to produce output that can be easily explained to customers. IT engineers can satisfy customers if they can face customers' issues sincerely and communicate in an agreeable manner, even if the customer is not knowledgeable about advanced technologies. We put the highest premium on this part of the job, but those kinds of human qualities and skills cannot be acquired overnight. That is why it is imperative that we protect employment. With this in mind, we intend to build a well-balanced organizational structure that emphasizes human qualities, as we take steps such as enhancing the skills of each employee even further, improving the work environment and introducing new employment formats.

### Future Growth Drivers

We are strongly determined to achieve the Medium-Term Management Plan laid out in the current fiscal year. We have two growth drivers for achieving the plan: (1) continuous self-sustained growth by Group companies and (2) dramatic growth through M&As and proactive financing.

Based on this, we intend to complete the transformation of Kushim's Group strategy in the third year of Medium-Term Management Plan, or in other words the



next fiscal year. We do not intend to increase the number of business segments any further. However, the entire Group's structure requires further optimization. In the current fiscal year, we announced a large-scale financing scheme through a rights offering. In the process of skillfully weaving this financing scheme into our sales strategy, we plan to conduct M&As of several companies, each with net sales of several 100 million to several billion yen. When those new colleagues have joined the Group, I believe that optimization will be necessary, taking into consideration the shape of the entire Group.

The outlook for economic conditions under the COVID-19 pandemic has changed significantly over the past few months. While trends in consumer behavior have remained uncertain, the B2B business, our primary market, has already begun to show the next phase of movement. With activity in the M&A market also picking up again, I believe that this is a unique, prime opportunity for Kushim.

In the past few years, the standalone businesses of

each Group company have reached the stage where they can achieve self-sustained growth. From now on, I would like subsidiaries to consider M&As as necessary and achieve further growth as business enterprises. Functioning as a headquarters, Kushim will fulfill the role of deciding the Group's overall portfolio. From the third year of the Medium-Term Management Plan, I believe that we can shift to such a framework.

### Our Greatest Strength Is Our Ability to Accomplish Self-Transformation

I believe that Kushim should aim to list its shares on the First Section of the Tokyo Stock Exchange in the future. This does not mean that we should simply become a great company by generating enough sales to justify a listing on the First Section of the Tokyo Stock Exchange. I believe that both people and companies should provide what they believe are products or services of the highest quality to society, through their colleagues and

customers. In my view, the outcome of those efforts is the pursuit of profit. After we have worked tirelessly in this way, we should be able to realize our vision for becoming "Japan's leading solution company." When that happens, I believe that we will be much larger than the size of Kushim's businesses today. We will have grown into a company that can list on the First Section of the Tokyo Stock Exchange—one that can lead the way forward for society. That is why I believe that we can aim for such a listing.

Our job is made possible by each member providing their highest quality work to society. Moreover, whether it is an internal meeting or an external project, we must never lose sight of the need to ask what kind of lasting impact our work will have on society, and what kind of services we can provide. To this end, I have been telling our Group colleagues that I would like them to devote themselves to their work with a "Burn your heart" spirit. I urge my colleagues to work as hard as they can every day towards some kind of goal with a burning passion. While remaining aware of the critical viewpoints of consumers and clients, I urge my colleagues to continually work hard with integrity so that they can enjoy the process of exceeding the expectations of consumers and clients. This is important to all employees regardless of their department or title. I am convinced that by repeating this process, we can pave the way for realizing our vision.

Several days ago, we held a general meeting of Kushim Technologies Inc. and Kushim Soft Inc. Previously, we had held this regular meeting once a quarter every year. This year, the meeting was held online. Normally, almost all of the meeting would be devoted to communication from the management side to the personnel in attendance. This year, we changed our approach. Some time was scheduled in the second half of the meeting for employees at both companies to say a few words about their work. We wanted the employees to report on matters such as the projects they have joined and their work goals. Each employee delivered a solid report. We were delighted to confirm that the growth of everyone shined through in their words.

The coronavirus pandemic has made it difficult for a single individual to accomplish things alone. Under these conditions, the managers and I have repeatedly

told employees to constantly try to find optimal ways and methods to get things done, rather than look for reasons why things can't be done. We believe that each employee has put these words into practice in their own way. Through employees' gestures, words, and manner of speaking, I could clearly tell that the employees have participated in their assigned projects as professionals and have fulfilled their responsibilities while enjoying themselves. Some personnel were given irregular transfers or duties, but they understood their positions and acted appropriately. I believe that every employee worked as hard as possible every day and saw this ordeal in a positive light, turning it into an opportunity for new growth through a process of self-reflection.

The Kushim Group does not necessarily have overwhelmingly strong solutions or unique content compared with other companies. There are also tons of companies that are conducting business based on AI, blockchain and other advanced technologies. That said, of all the things we have done so far, I believe that we are second to no other company when it comes to our speed of self-transformation. In the short span of nearly one year, we conducted four M&A deals, launched two new business segments, and surmounted adverse conditions caused by the COVID-19 crisis and restored profitability. We have the ability to make sincere efforts to reach our goals, maximize our strengths, and accomplish the self-transformation of our organization. Although the shape and management of our organization have changed dramatically over a short space of time, we have produced solid results without being swayed by those changes. I'm convinced that the ability to achieve this is indeed Kushim's greatest strength and intangible asset. I believe it is the key to realizing sustained growth.

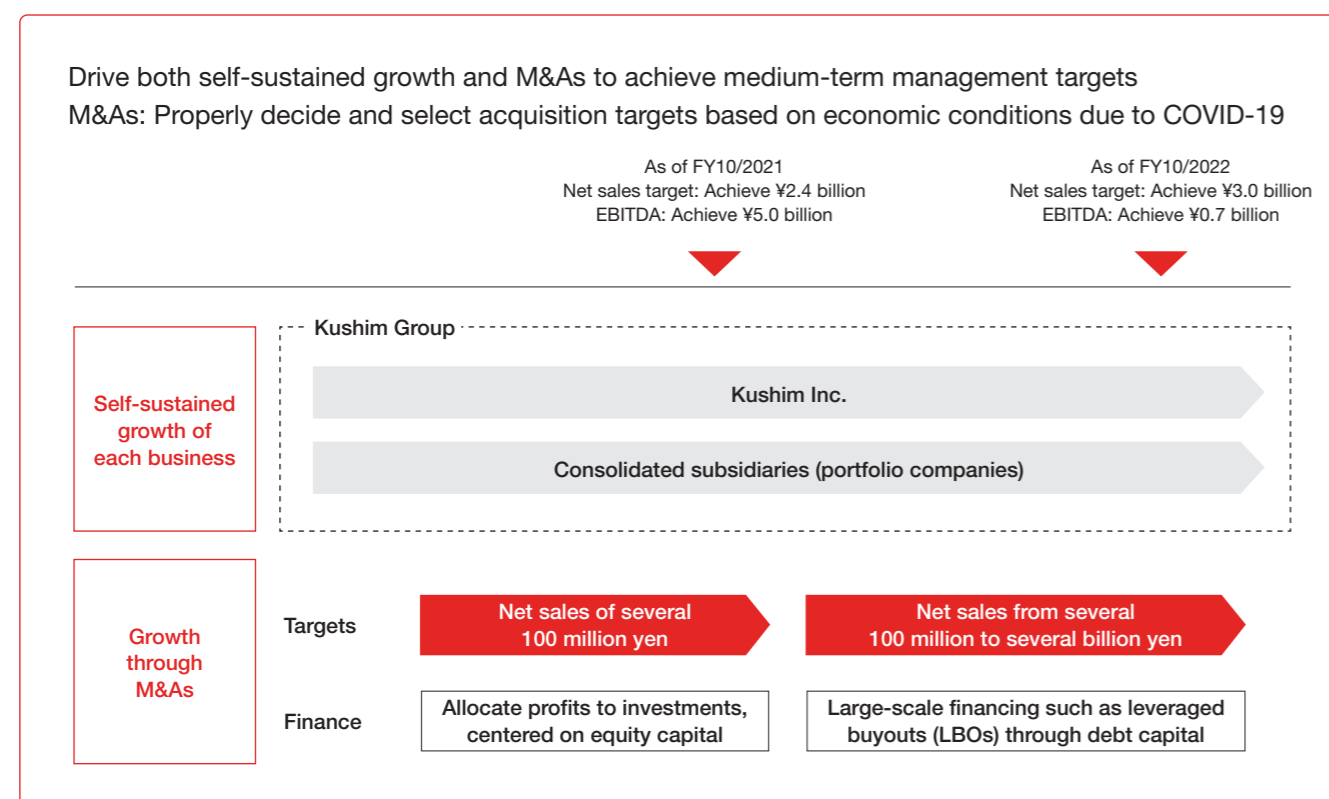
In the remaining two years of the Medium-Term Management Plan, the entire Kushim Group will pull together to reach the plan's targets, without letting up its efforts. We look forward to your continued understanding and support.

October 2020

**Hiroki Nakagawa**

President and Representative Director

### Growth Drivers Are "Self-Sustained Growth" × "M&A" × "Finance"



**Daisuke Ito**  
Director

The entire world was greatly shaken by the recent COVID-19 pandemic. Even in Japan, we have seen an incredibly challenging situation as a state of emergency was declared by the government and economic activities came to a halt.

Although domestic economic activity has gradually been showing signs of recovery since the state of emergency was lifted, there is an incredibly strong sense of uncertainty about the future, with concerns about a third and fourth wave of infections and no end to the pandemic in sight.

Amidst these macroeconomic trends, we made a total of four companies—Kushim Technologies Inc., Kushim Insight, Inc., Care Dynamics Limited and e frontier, inc.—into consolidated subsidiaries in the consolidated fiscal

year under review. Amid growing concerns about the risk of economic downturn, the Kushim Group continues to revolutionize its own business model in preparation for an age in which every imaginable service becomes digitalized as a corporate group that makes it its mission to promote industrial DX (Digital Transformation).

With regard to the e-Learning Business, we have worked on obtaining projects related to the demand for the Company's solutions on account of the corporate transition to telework and increase in need to introduce online education at educational institutions. After completing reform of our infrastructure foundation, we developed and released a new feature of SLAPα. Meanwhile, as for the Academy Business, the entire system engineering industry was significantly impacted by COVID-19. In contrast to the second and third quarters, in which even the Company faced a critical stage, each consolidated subsidiary managed to turn a profit and return to normal operating status. Even though Incubation Business is a new business, we completed collaborative research with outside agencies right on schedule, and promoted initiatives through ties with partner companies.

Looking at the consolidated results in the fiscal year under review, net sales were 1,859 million yen (up 1,105 million yen YoY), EBITDA was 125 million yen (up 114 million yen), operating profit was 34 million yen (up 39 million yen), ordinary profit was 40 million yen (up 45 million yen), and profit attributable to owners of parent was 154 million yen (up 173 million yen).

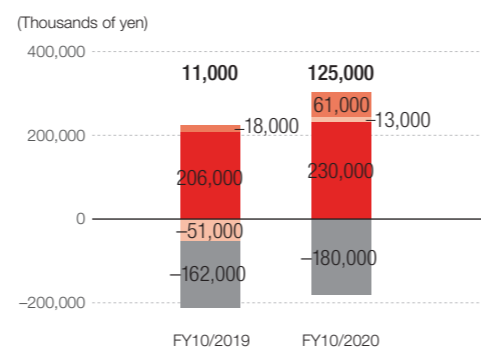
	FY10/2020 Consolidated (Planned)	FY10/2020 Consolidated (Actual)	Compared to plan
Net sales	1,880	<b>1,859</b>	99%
EBITDA	230	<b>125</b>	55%
Operating profit	145	<b>34</b>	24%
Ordinary profit	147	<b>40</b>	27%
Profit attributable to owners of parent	209	<b>154</b>	74%

Note: EBITDA = operating profit + depreciation + amortization of goodwill

(Millions of yen)

**EBITDA**

■ e-Learning Business ■ Academy Business  
■ Incubation Business ■ Companywide adjustment cost



YoY

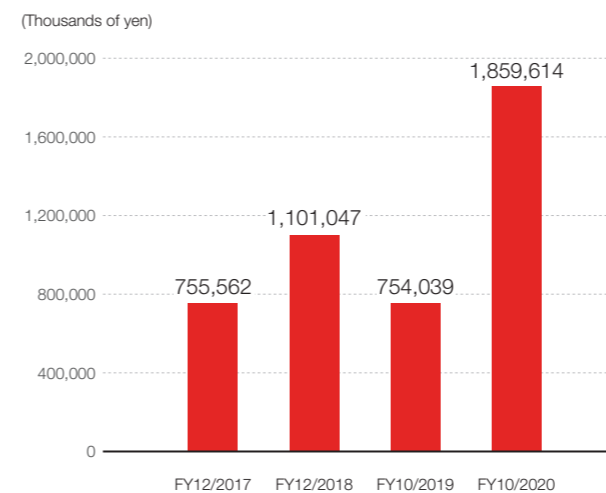
**+110**  
million yen

Growth rate  
(business only)  
**+76%**

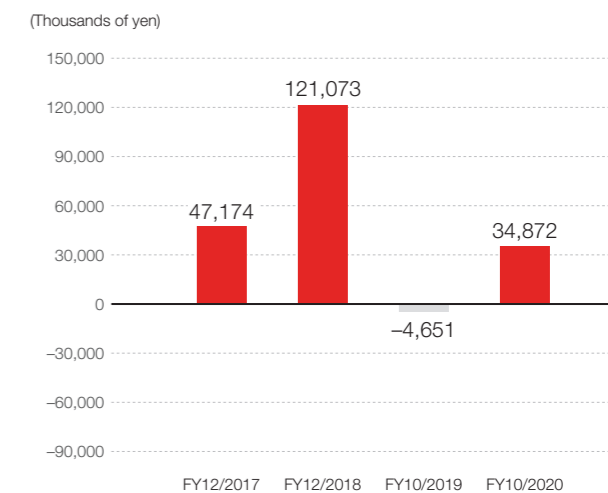
**Financial Highlights**

\* Figures for the fiscal year ended December 2017 and 2018 are non-consolidated. Figures for the fiscal year ended October 2019 are for a transitional accounting period (10 months).

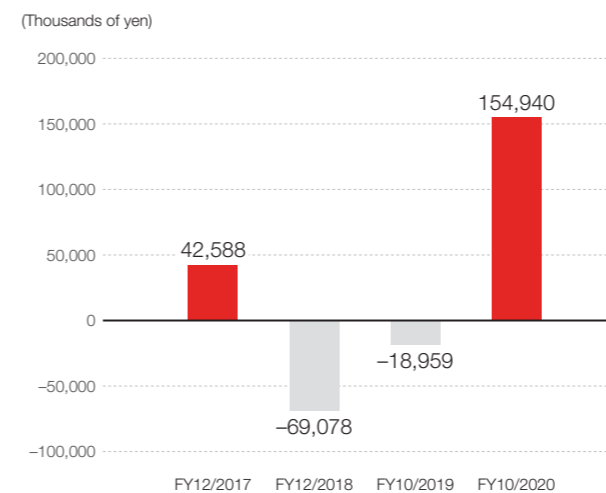
**Net sales**



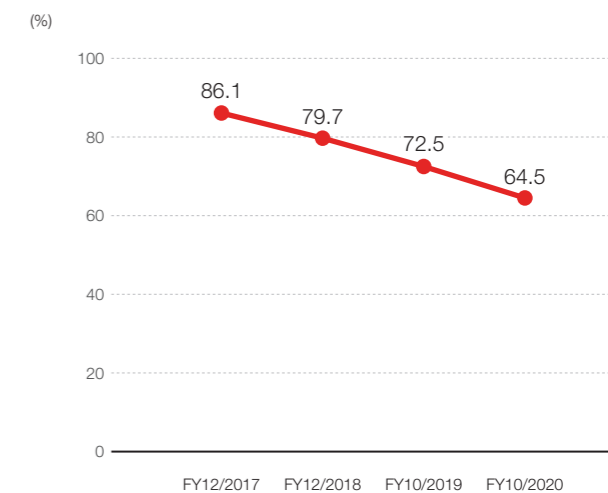
**Operating profit**



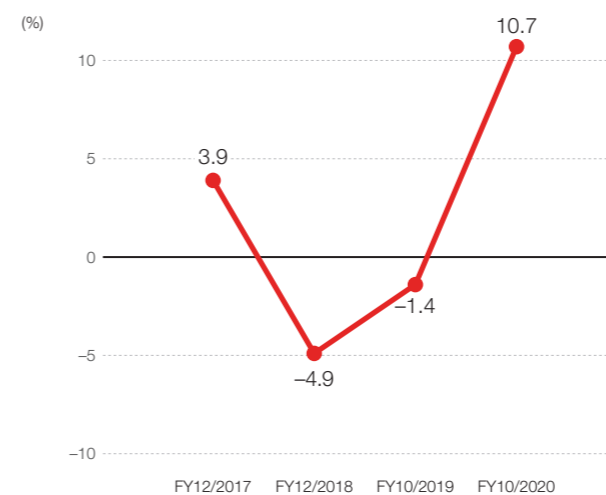
**Profit (loss) attributable to owners of parent**



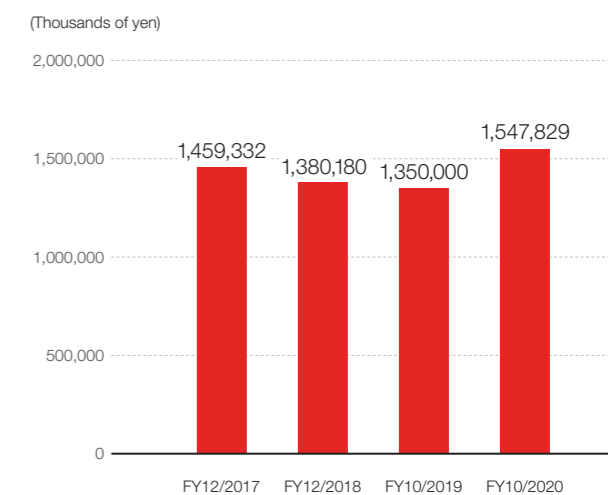
**Equity ratio**



**ROE**



**Net assets**



## e-Learning Business

### Main products and services

- “iStudy LMS” and “SLAP” learning management systems for corporate entities
- Business videos for corporate entities
- Training seminars/Services
- Training/e-learning content
- Video recording/Video streaming

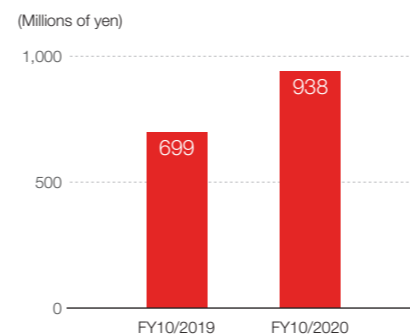
### Initiatives for FY10/2020

Work styles and work environments are changing drastically due to the COVID-19 pandemic. Amidst this, although there are inquiries and demand for the utilization of “iStudy LMS” and “SLAP,” which are learning management systems for corporate entities, companies showed a tendency to refrain from considering their introduction because of the impact of the pandemic on results, and a partial dissipation of demand was observed. Despite such circumstances, we carefully supported introduction of specific projects, and worked toward obtaining orders. We promote support for further introduction and are focusing efforts on extending the number of ID provisions for SLAP and introduction of iStudy LMS.

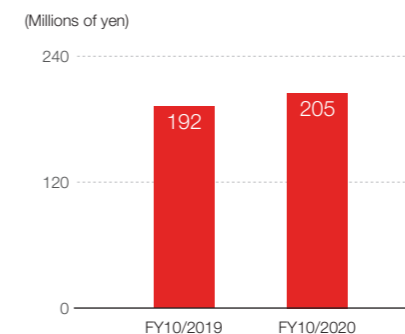
With regard to sales of e-learning content and advanced technology-related content for each training service, business inquiries and the number of uses has increased, and employee education at companies is transforming into valuable investment with an eye toward the future. Additionally, on the topic of training content creation services, we have received large-scale orders and have begun providing content for new markets based on theme of food education. On the content sales website, which is the foundation of our infrastructure, we newly released “SLAPα,” which can be used on tablets and even smartphones, in order to address customers’ diverse needs, and began providing an environment in which learning is possible at any time in any location.

## Net sales increased at a good rate, and the rate of profitability largely improved

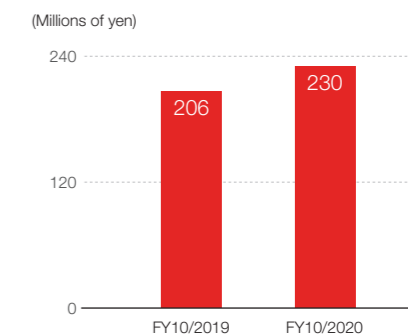
### Net sales



### Segment profit



### EBITDA



## Academy Business

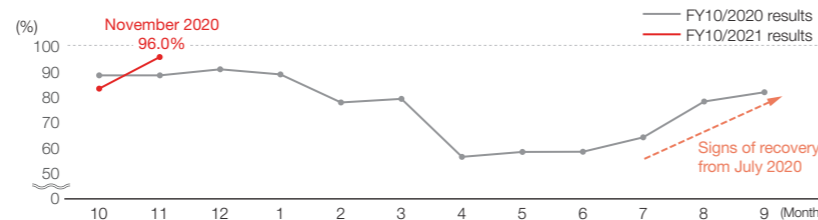
### Main products and services

- Fee-based career introduction service “iStudy ACADEMY”
- IT engineer introduction and dispatch business
- Freelance matching business

### Initiatives for FY10/2020

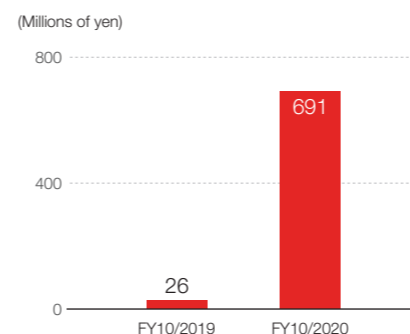
In fee-based career introduction service business, we help companies to hire advanced IT engineers and conduct contracted seminar operations in place of the company, and continue to work on expanding services. For personnel development, in addition to the nearly 400 IT engineers employed by CAICA Technologies Inc., we have even developed lectures on advanced technology and promote skill advancement for our subsidiary Kushim Soft Inc. This helps improve engineers’ skills and expands the base of system development with high added-value using new technologies such as AI.

### Engineer working rate

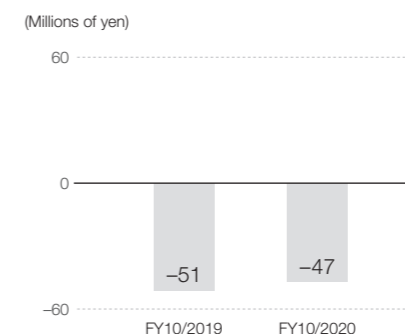


## Turned a profit in 4Q, and returned to normal operating status

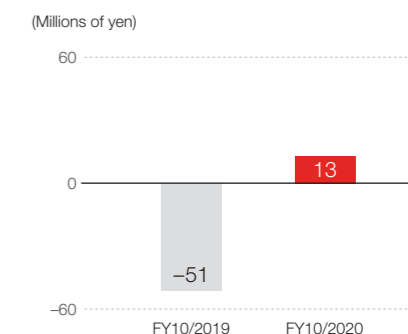
### Net sales



### Segment profit



### EBITDA



## Incubation Business

### Main products and services

- Contracted system development
- Various types of consulting including matters related to management
- Investment and loan business

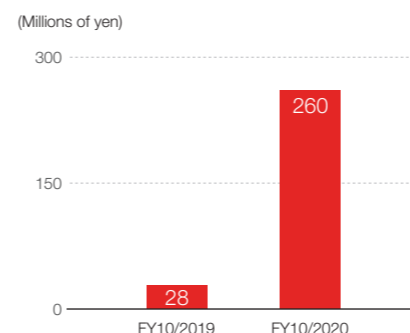
### Initiatives for FY10/2020

In AI-based collaborative research business in collaboration with Matsuo Lab at the University of Tokyo and its partner company, and Social Welfare Corporation Zenkokuai we completed development of an AI-based detection system for caregiving facilities, and were able to achieve our initial target at the end of October 2020. This collaborative development is aimed at preventative measures against the various dangers lurking in caregiving facilities such as accidents, rapid response, and reducing the burden of labor on caregiving employees in the super-aged society of Japan. As a result, we believe that being able to provide caregiving employees with an AI-based detection system contributes to a huge step forward for the entire caregiving industry.

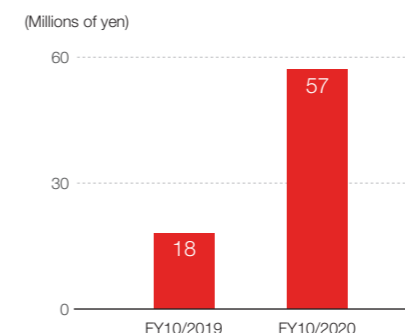
In investment and loan business, we continue to deepen alliances with corporations that possess advanced technology. In addition to a business alliance with Stake Technologies Inc., a promising startup that employs personnel who create learning content in advanced IT fields or serve as instructors, and a capital and business alliance with Turingum Inc., which is working hard on building a unique business model in the same field, we reached a business agreement with Zettant Inc. This company has developed, among other things, electronic signature platform SecurityHub (adopted for the Ministry of Economy, Trade and Industry’s subsidy projects) and blockchain platform BBC-1, and works on social contributions.

## Both net sales and profit grew more than anticipated

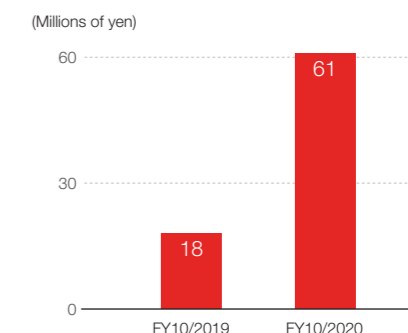
### Net sales



### Segment profit



### EBITDA



\* The previous consolidated fiscal year was a 10-month period from January to October 2019.

## (1) Summary of Business Results for the Fiscal Year Ended October 31, 2020

In the fiscal year ended October 31, 2020, Japan's economy faced extremely challenging conditions, despite initial expectations of a gradual recovery. As a result of the global spread of COVID-19, the Japanese government issued a state of emergency declaration to prevent the spread of infections in Japan, and economic activity showed some signs of stagnation. After the state of emergency declaration was lifted, domestic economic activity began to gradually restart as the Japanese government implemented various economic policies and other measures. However, there are still concerns about a third and fourth wave of infections and no prospects for an end to the pandemic. Based on these and other factors, the outlook for the future is highly uncertain.

Faced with these macroeconomic trends, the Kushim Group was guided by a policy of continually promoting the transformation of business formats to dramatically improve profitability, as set forth in its Medium-Term Management Plan (running from the fiscal year ended October 31, 2019 to the fiscal year ending October 31, 2022). Based on this policy, Kushim turned several companies into consolidated subsidiaries in the fiscal year ended October 31, 2020. Kushim Technologies Inc. ("Kushim Technologies") became a consolidated subsidiary in November 2019, followed by Kushim Insight, Inc. ("Kushim Insight") in March 2020, Care Dynamics Limited ("Care Dynamics") in May 2020 and e frontier, Inc. ("e frontier") on May 15, 2020. Amid heightened concerns about downside risks to the economy, Kushim has continued to transform its business models.

In this manner, the Kushim Group is a group of companies whose mission is to promote the digital transformation (DX) of industry. In this role, the Group has continued to transform its business models in preparation for an era in which the digitalization of all kinds of services will proceed further. In parallel, as the Group pursues synergies with its newly consolidated subsidiaries, the e-Learning Business worked to capture demand for Kushim's solutions given the heightened need for shifting to telework at companies and introducing online

education at educational institutions. In the process, the e-Learning Business completed the renewal of its infrastructure base and conducted the release of newly developed functions for SLAP $\alpha$ . On the other hand, in the Academy Business, Kushim faced challenging conditions in the second and third quarters as the entire system engineering industry was heavily impacted by COVID-19. Relative to the second and third quarters, each consolidated subsidiary has successfully restored profitability and recovered to a normal operating condition. In the Incubation Business, Kushim completed joint research with external institutions as planned, despite being a new business, and advanced measures through partnerships with partner companies.

As a result of the above, Kushim's consolidated business results for the fiscal year ended October 31, 2020 were as follows. Net sales were ¥1,859 million (an increase of ¥1,105 million year on year), EBITDA was ¥125 million (an increase of ¥114 million year on year), operating profit was ¥34 million (a positive change of ¥39 million from an operating loss in the previous fiscal year), ordinary profit was ¥40 million (a positive change of ¥45 million from an ordinary loss in the previous fiscal year), and profit attributable to owners of parent was ¥154 million (a positive change of ¥173 million from a loss attributable to owners of parent in the previous fiscal year). The previous fiscal year was a 10-month accounting period running from January 2019 to October 2019.

The following is a summary of business performance by segment. The Company's products and services are classified by segment as described below.

Segment	Products and services
<b>e-Learning Business</b>	<ul style="list-style-type: none"> <li>• Study, LMS and SLAP learning management systems for corporate entities</li> <li>• Business videos for corporate entities</li> <li>• Various training courses and services</li> <li>• Training/e-learning content</li> <li>• Video recording/Video streaming</li> </ul>
<b>Academy Business</b>	<ul style="list-style-type: none"> <li>• Fee-based career introduction service "iStudy ACADEMY"</li> <li>• IT engineer introduction and dispatch business (Kushim Soft and Kushim Technologies)</li> <li>• Freelance matching business (Kushim Soft)</li> </ul>
<b>Incubation Business</b>	<ul style="list-style-type: none"> <li>• Contracted system development</li> <li>• Various types of consulting including matters related to management</li> <li>• Investment and loan business</li> </ul>

### e-Learning Business

With the iStudy LMS and SLAP learning management systems for corporate entities, the Group suffered some loss of demand, despite inquiries and needs for system use, as companies tended to refrain from considering the deployment of such systems due to the impact on their business performance amid significant changes in work styles owing to the impact of COVID-19. Even under these conditions, the Group thoughtfully supported the deployment of specific projects as it worked to win orders. The campaign for offering the SLAP

system to schools and other educational institutions free of charge continued to have a sizable impact. In addition to this campaign, the deployment of new systems by companies and replacement needs have also started to emerge. By working to address further deployment of systems, the Group will focus on increasing the number of SLAP IDs and introducing iStudy LMS. Moreover, the Group made strides on the renewal of the infrastructure environment. Here, the Group completed the transition to providing a stable platform by actively shifting to a public cloud environment. Through this measure, the Group will work to upgrade and expand functionality by striving to develop updates primarily focused on providing an even more user-friendly environment to customers who will be using the system even more.

Looking at sales of e-learning content and various training services, sales declined due to the impact of COVID-19. However, the number of inquiries and usage has increased for advanced technology-related content, and employee education at companies is being redefined as a forward-looking, valuable investment. In addition, in training content production services, the Group won a large order and began providing content for a new market based on the theme of food education. On the content sales site, which serves as an infrastructure platform, the Group newly released SLAP $\alpha$ , which can also be accessed via tablet PCs and smartphones, in order to meet a wide range of customer needs. With the release of SLAP $\alpha$ , the Group has started to provide an environment where customers can learn anytime, anywhere.

e frontier conducted sales activities for iStudy LMS and SLAP targeting its 300,000 e-mail newsletter subscribers and is working to conduct nationwide sales of these services through the sales network of a major software distribution company that is one of e frontier's major customers. In addition, e frontier has been engaged in software development over many years. In October 2020, e frontier started supplying Remaster AI, a high-resolution video and still image remastering service that incorporates AI technology. This service can be used to generate Blu-ray-level high-definition video easily and inexpensively from low-resolution VHS or DVD video footage produced in the past. e frontier believes that this service can be expected to attract a wide range of demand from ordinary customers to specialized businesses.

As a result of the above, net sales in the e-Learning Business amounted to ¥938 million (an increase of ¥239 million year on year). EBITDA was ¥230 million (an increase of ¥24 million year on year). Segment profit was ¥205 million, up ¥12 million year on year.

### Academy Business

With iStudy ACADEMY, a fee-based job referral service, the Kushim Group provides contract-based agency services to support the recruitment of advanced IT engineers by companies and provide training. The Group works continually to upgrade and expand those services. Business performance came under pressure because of factors such as the postponement of recruitment activities and training cost reductions due to the impact of COVID-19. In the area of human resources training, the Group continued to offer advanced IT courses and enhance the skills of approximately 400 IT engineers at CAICA Technologies Inc. ("CAICA Technologies"), in addition to personnel at Kushim Soft Inc. (formerly aim-soft, Inc.; "Kushim Soft"), a subsidiary of Kushim. Through these activities, the Group has improved the skills of its IT engineers and contributed to upgrading and expanding its base for developing high value-added systems.

Kushim Soft has worked to upgrade and expand support for customer systems development and the engineer dispatching business by enhancing the training and technical capabilities of IT engineers with a focus on open systems, which remain in strong demand. Leveraging Group synergies, the company has also actively strengthened training of advanced IT personnel. As a result, Kushim Soft rose above challenging conditions in the third quarter (April, May and June 2020) to achieve a V-shaped recovery in the fourth quarter (July, August, and September 2020). The company restored monthly profitability in each month of the fourth quarter. This V-shaped recovery was made possible by the significant results produced by the following efforts. Kushim Soft recognized the negative impacts of COVID-19 at an early stage and decided to reduce costs in the second quarter (January, February and March 2020), steadily implemented measures and reduced fixed costs. The company also

worked to promote telework at an early stage in the industry and enhance operating efficiency. Additionally, in the system engineering service industry, many engineers still remain without work (non-operational) at this time due to continued downsizing or suspension of projects, and temporary reductions in customer budgets due to COVID-19. Despite this environment, Kushim Soft improved the non-operational status of engineers in the fourth quarter and surmounted the difficult situation it faced without reducing the number of its engineers, who are the source of its competitiveness in the system engineering service (SES) business. This was the result of efforts to strengthen the expansion and augmentation of sales interfaces by leveraging Group synergies. Moreover, Kushim Soft was able to create a positive virtuous cycle where the non-operational status of engineers was improved by customers preferentially contacting Kushim Soft when resuming projects and requesting services. As a result, Kushim Soft achieved a steady recovery in business results. Since October 2020, the beginning of Kushim Soft's fiscal year, the company has continued to remain profitable each month. Kushim Soft will continue working to increase the operating rate of engineers by winning projects along with strengthening contracted systems development.

On May 1, 2020, Kushim Soft turned Care Dynamics into a wholly owned subsidiary. At Care Dynamics, the complete transfer of maintenance and operation work (prime contractor) to Kushim Soft's Shimane Office Development Center was completed at the end of July 2020. This transfer marked Kushim Soft's first time to enter the nursing care business field. Care Dynamics has grown by introducing IT to the nursing care industry, centered on ASP services to nursing care providers. Notably, Care Online, an ASP service, can be expected to reduce the workload of extremely busy nursing care sites by up to around 70%, making it a service that can improve operating efficiency. For this reason, Care Online has obtained large numbers of users since the service was rolled out in 2006. The transfer of maintenance and operation work (prime contractor) to Kushim Soft's Shimane Office Development Center has not only enabled Kushim Soft to strengthen its framework for catching up with users' system needs. It has also enabled the in-house completion of certain maintenance tasks that Kushim Soft had previously outsourced to other companies. This has contributed to cost reductions.



Kushim Technologies has continued to achieve monthly profitability on a standalone basis each month by building up a track record in developing Web systems and through cost optimization. To conduct business expansion initiatives in the system engineering service industry like Kushim Soft, Kushim Technologies relocated its head office in July 2020 in view of the impact of COVID-19. The cost savings from the head-office relocation and the participation of engineers in long-term projects, where Kushim Technologies is strong, have made it structurally difficult for engineers to be non-operational (without work). Through close cooperation with Kushim Soft, Kushim Technologies has achieved a framework where engineers can participate in their next projects on a sliding basis when they complete their current projects. As a result, Kushim Technologies has continued to achieve monthly profitability each month. Kushim Technologies will continue working to increase operating profit by winning projects with a high order intake margin in cooperation with Kushim Soft and by expanding sales channels to the systems development business.

As a result of the above, net sales in the Academy Business were ¥691 million (an increase of ¥664 million year on year). EBITDA was ¥13 million (a positive change of ¥64 million from the previous fiscal year). The segment loss was ¥47 million (a positive change of ¥4 million from the previous fiscal year). Segment profit in the Academy Business includes ¥55 million in amortization of goodwill on the acquisition of shares of Kushim Soft, Kushim Technologies and Care Dynamics.

### Incubation Business

The joint research business with Matsuo Lab. at the University of Tokyo and its partner companies, and Social Welfare Corporation Zenkoukai, completed the development of an AI-based detection system for nursing care facilities and had achieved the initial goal of the project as of the end of October 2020. The collaborative development project was undertaken over a period of one year. During this year, Matsuo Lab. at the University of Tokyo and three partner companies worked closely together and received full support for field tests and advice from Zenkoukai. The project conducted simulations of various case studies of video

data from nursing care sites, and accidents such as stumbles and falls of nursing care facility residents. The project successfully developed a system that detects certain behaviors that typically occur before those accidents, using AI technologies such as deep learning, and sends alerts to the smartphone apps of nursing care staff. In Japan's super-aging society, this collaborative development project aims to prevent the risks of various accidents and other incidents that could happen at nursing care facilities, enable rapid responses to those risks, and reduce the workload of nursing care staff. The main achievement of the collaborative development project was the AI-based detection system for nursing care staff. The Kushim Group believes that supplying this system as the project's main achievement will contribute to significant progress across the nursing care industry as a whole.

In the Incubation Business, the Group also successfully generated new earnings from the contracted development and maintenance and operation business for systems related to blockchain technology, and to organization and management consulting. Notably, in Japan the Group started developing a voting rights exercise management system for shareholders, which is said to be needed to realize virtual general shareholder meetings based on a hybrid attendance model. Development of this system was completed at the end of October 2020. This system was developed in light of progress expected on the lifting of a ban on holding completely online shareholder meetings. The system was developed using blockchain technology, which ensures that it is impossible to falsify data. It offers features that enable companies to receive questions from shareholders and shareholders to exercise their voting rights. The system will provide live streaming at a quality that matches physical shareholder meetings with real shareholders in attendance. Test operation of the system will be carried out in March to the end of June, the peak season for holding general shareholder meetings, and the results will be used to help build up the track record of service use. The Kushim Group also began developing a shareholder benefits platform with its shareholder company FISCO Ltd. The first phase of development of this platform was completed in October 2020. The platform comprises a special purpose website for managing information on shareholder benefit merchandise for the shareholders of publicly listed companies that offer shareholder benefits. With the launch of the service, the Group will target companies that are finding it

difficult to arrange and administer shareholder benefits, companies that are facing cost issues associated with the necessary equipment, and companies that are considering introducing services that will allow shareholder benefits to be redeemed at stores and other locations. Going forward, the Group will continue to consider features such as trading functions for shareholder benefit merchandise and unique customization options for companies, as priorities for the next phase of development. In addition, Kushim has started developing a staking service application for cryptocurrencies. As of October 2020, this project has entered a phase where business requirements have been defined. From the next fiscal year, the project will transition to a development phase.

In the investment and loan business, the Kushim Group continued to deepen partnerships with companies that possess advanced technologies. The Group formed a business alliance with Stake Technologies Inc., a promising startup that has personnel who can produce learning content and serve as instructors in advanced IT fields. It formed a capital and business alliance with Turingum Inc., which is ambitiously building a unique business model in these fields. In addition, the Group reached an agreement on a business alliance with Zettant Inc., a company that has developed projects such as the SecurityHub electronic signature platform (adopted as a subsidized business of the Ministry of Economy, Trade and Industry) and the BBc-1 blockchain platform, and is also engaged in social contribution activities. Product development for the aforementioned development of a voting rights exercise platform was undertaken together with Zettant Inc. The development framework for the staking service application for cryptocurrencies was prepared together with Turingum Inc.

In this business, the Kushim Group will continue striving to win contracted systems development projects that apply advanced technologies through the innovations and expertise of various companies and the Group's engineers, thereby paving the way for a solid track record. In terms of the impact of the COVID-19 crisis, the Group could be affected by the downturn in overall macroeconomic conditions. Looking ahead, the Group will continue to closely monitor the impact on its businesses and implement response measures at an early stage. In addition, the Group will endeavor to carefully identify the profitability of projects and allocate management resources to highly profitable projects.

As a result of the above, net sales in the Incubation Business were ¥260 million (an increase of ¥231 million year on year). EBITDA was ¥61 million (an increase of ¥42 million year on year). Segment profit was ¥57 million (an increase of ¥38 million year on year).

Segment profit in the Incubation Business includes ¥4 million in amortization of goodwill on the acquisition of shares of Kushim Insight.

## (2) Summary of Financial Condition as of the Fiscal Year-Ended

### Status of Assets, Liabilities and Net Assets

#### (Assets)

Total assets as of October 31, 2020 were ¥2,381 million, an increase of ¥522 million from the previous fiscal year-end. Current assets stood at ¥940 million, a decrease of ¥444 million from a year earlier. This decrease mainly reflected a decline of ¥519 million in cash and deposits, while there was an increase of ¥113 million in accounts receivable—trade. Non-current assets stood at ¥1,441 million, an increase of ¥967 million from the previous fiscal year-end. This increase mainly reflected increases of ¥643 million in investment securities and ¥308 million in long-term loans receivable.

#### (Liabilities)

Total liabilities as of October 31, 2020 were ¥833 million, an increase of ¥325 million from the previous fiscal year-end. Current liabilities stood at ¥421 million, an increase of ¥66 million from the previous fiscal year-end. This increase mainly reflected an increase of ¥47 million in accounts payable—trade. Non-current liabilities stood at ¥412 million, an increase of ¥258 million from the previous fiscal year-end. This increase was mainly due to an increase of ¥187 million in long-term borrowings.

**(Net assets)**

Net assets as of October 31, 2020 were ¥1,547 million, an increase of ¥197 million from the previous fiscal year-end. This increase mainly reflected increases of ¥141 million in retained earnings and ¥47 million in valuation difference on available-for-sale securities.

### **(3) Summary of Cash Flows in the Fiscal Year Ended October 31, 2020**

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Cash and cash equivalents ("cash") as of October 31, 2020 stood at ¥552 million, a decrease of ¥519 million from the previous fiscal year-end.

**(Cash flows from operating activities)**

Net cash provided by operating activities amounted to ¥109 million (compared with net cash used in operating activities of ¥50 million in the previous fiscal year.) The main components were profit before income taxes of ¥156 million, depreciation of ¥31 million, amortization of goodwill of ¥59 million, and gain on bargain purchase of ¥135 million.

**(Cash flows from investing activities)**

Net cash used in investing activities was ¥561 million (compared with net cash provided by investing activities of ¥117 million in the previous fiscal year). The main uses of cash were ¥421 million for purchase of investment securities and ¥143 million for purchase of shares of subsidiaries resulting in change in scope of consolidation.

**(Cash flows from financing activities)**

Net cash used in financing activities was ¥66 million (compared with net cash provided by financing activities of ¥84 million in the previous fiscal year). The main components were repayments of long-term borrowings of ¥332 million and proceeds from long-term borrowings of ¥250 million.

### **(4) Outlook**

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Changes in the macroeconomic environment due to the spread of COVID-19 are uncertain, and the impact these changes will have on the business results of existing businesses is difficult to predict. Also, in the progressive stage of its development, the Kushim Group plans to push forward with a transformation in its business formats all at once, with initiatives centered on M&As. For these reasons, given that it is difficult to accurately calculate highly reliable figures for business results at the time of announcement of this report, the Kushim Group has not disclosed business forecasts. The Kushim Group plans to announce business forecasts when it is possible to make reasonable forecasts.

### **(5) Important Matters Regarding the Going Concern Assumption**

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Not applicable.

## Consolidated Balance Sheet

	(Unit: Thousands of yen)	
	FY10/2019 (As of October 31, 2019)	FY10/2020 (As of October 31, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	¥1,071,421	¥ 552,191
Accounts receivable—trade	201,147	314,886
Merchandise and finished goods	—	33,436
Raw materials and supplies	—	4,879
Other	112,381	34,680
<b>Total current assets</b>	<b>1,384,949</b>	<b>940,074</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	38,915	26,788
Accumulated depreciation	(11,192)	(8,592)
Buildings and structures, net	27,723	18,196
Vehicles	12,529	791
Accumulated depreciation	(5,675)	(791)
Vehicles, net	6,853	0
Tools, furniture and fixtures	93,680	38,215
Accumulated depreciation	(87,293)	(25,273)
Tools, furniture and fixtures, net	6,386	12,942
<b>Total property, plant and equipment</b>	<b>40,963</b>	<b>31,138</b>
<b>Intangible assets</b>		
Software	23,254	106,711
Goodwill	273,721	250,419
Other	46,595	1,626
<b>Total intangible assets</b>	<b>343,570</b>	<b>358,757</b>
<b>Investment and other assets</b>		
Long-term loans receivable	—	308,000
Investment securities	0	643,436
Leasehold and guarantee deposits	63,644	49,685
Deferred tax assets	14,923	33,977
Other	10,242	16,106
<b>Total investments and other assets</b>	<b>88,811</b>	<b>1,051,206</b>
<b>Total non-current assets</b>	<b>473,345</b>	<b>1,441,102</b>
<b>Total assets</b>	<b>¥1,858,294</b>	<b>¥2,381,177</b>

	(Unit: Thousands of yen)	
	FY10/2019 (As of October 31, 2019)	FY10/2020 (As of October 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable—trade	¥ 73,735	¥ 121,297
Short-term borrowings	—	30,000
Current portion of long-term borrowings	48,798	48,195
Income taxes payable	232	20,365
Unearned revenue	117,397	58,687
Provision for bonuses	—	14,005
Provision for retirement benefits for directors	—	310
Provision for sales returns	—	1,829
Other	114,890	126,512
<b>Total current liabilities</b>	<b>355,052</b>	<b>421,203</b>
<b>Non-current liabilities</b>		
Long-term borrowings	151,133	338,963
Other	2,108	73,181
<b>Total non-current liabilities</b>	<b>153,241</b>	<b>412,144</b>
<b>Total liabilities</b>	<b>508,293</b>	<b>833,347</b>
<b>Net assets</b>		
<b>Shareholder's equity</b>		
Share capital	705,940	705,940
Capital surplus	667,838	667,838
Retained earnings	(13,818)	127,204
Treasury shares	(12,656)	(12,656)
<b>Total shareholders' equity</b>	<b>1,347,304</b>	<b>1,488,327</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	—	47,913
<b>Total accumulated other comprehensive income</b>	<b>—</b>	<b>47,913</b>
Share acquisition rights	2,696	11,588
<b>Total net assets</b>	<b>1,350,000</b>	<b>1,547,829</b>
<b>Total liabilities and net assets</b>	<b>¥1,858,294</b>	<b>¥2,381,177</b>

## Consolidated Income Statement

	(Unit: Thousands of yen)	
	FY10/2019 (January 1, 2019 to October 31, 2019)	FY10/2020 (November 1, 2019 to October 31, 2020)
<b>Net sales</b>	<b>¥754,039</b>	<b>¥1,859,614</b>
Cost of sales	470,132	1,324,035
<b>Gross profit</b>	<b>283,907</b>	<b>535,579</b>
<b>Selling, general and administrative expenses</b>		
Remuneration for directors	25,203	43,689
Salaries, allowances and bonuses	77,914	123,461
Provision for bonuses	—	5,116
Legal welfare expenses	15,133	27,979
Promotion expense	3,201	6,471
Advertising expense	6,309	5,847
Rent expenses	9,639	33,997
Fee expenses	77,165	50,102
Depreciation	3,805	6,449
Amortization of goodwill	—	59,571
Other	70,185	138,019
<b>Total selling, general and administrative expenses</b>	<b>288,559</b>	<b>500,706</b>
<b>Operating (loss) profit</b>	<b>(4,651)</b>	<b>34,872</b>
<b>Non-operating income</b>		
Interest income	917	3,143
Invalid unit income	287	1,413
Subsidy income	—	2,531
Gain on sales of securities	—	826
Insurance claim income	139	—
Other	29	470
<b>Total non-operating income</b>	<b>1,374</b>	<b>8,384</b>
<b>Non-operating expense</b>		
Interest expenses	61	2,067
Loss on investments in investment partnerships	2,185	—
Loss on disposal of machinery	—	422
Loss on cancellation of insurance policies	—	341
Other	116	185
<b>Total non-operating expense</b>	<b>2,363</b>	<b>3,017</b>
<b>Ordinary (loss) profit</b>	<b>(5,641)</b>	<b>40,240</b>
<b>Extraordinary income</b>		
Gain on bargain purchase	—	135,180
<b>Total extraordinary income</b>	<b>—</b>	<b>135,180</b>
<b>Extraordinary losses</b>		
Head office relocation expenses	—	12,621
Loss on disposal of license	—	3,964
Loss on sales of non-current assets	—	2,415
<b>Total extraordinary losses</b>	<b>—</b>	<b>19,000</b>
<b>(Loss) profit before income taxes</b>	<b>(5,641)</b>	<b>156,419</b>
Income taxes	6,800	21,382
Income taxes—deferred	6,517	(19,903)
<b>Total income taxes</b>	<b>13,318</b>	<b>1,479</b>
<b>Net (loss) income</b>	<b>(18,959)</b>	<b>154,940</b>
<b>(Loss) profit attributable to owners of parent</b>	<b>¥ (18,959)</b>	<b>¥ 154,940</b>

## Consolidated Statement of Comprehensive Income

	(Unit: Thousands of yen)	
	FY10/2019 (January 1, 2019 to October 31, 2019)	FY10/2020 (November 1, 2019 to October 31, 2020)
<b>Net (loss) income</b>	<b>¥(18,959)</b>	<b>¥154,940</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	—	47,913
<b>Total other comprehensive income</b>	<b>—</b>	<b>47,913</b>
<b>Comprehensive (loss) income</b>	<b>¥(18,959)</b>	<b>¥202,854</b>
<b>Comprehensive (loss) income attributable to</b>		
Owners of parent	¥(18,959)	¥202,854
Non-controlling interests	—	—

## Consolidated Statement of Changes in Equity

FY10/2019 (January 1, 2019 to October 31, 2019) (Unit: Thousands of yen)					
	Shareholders' equity				
	Share capital	Capital surplus	Retaining earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥705,940	¥681,755	¥ 5,140	¥(12,656)	¥1,380,180
Change in items during period					
Dividends of surplus		(13,917)			(13,917)
Loss attributable to owners of parent			(18,959)		(18,959)
Net changes in items other than shareholders' equity					
<b>Total change in items during period</b>	<b>—</b>	<b>(13,917)</b>	<b>(18,959)</b>	<b>—</b>	<b>(32,876)</b>
Balance at end of period	¥705,940	¥667,838	¥(13,818)	¥(12,656)	¥1,347,304

FY10/2019 (January 1, 2019 to October 31, 2019) (Unit: Thousands of yen)				
	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	¥—	¥—	¥ —	¥1,380,180
Change in items during period				
Dividends of surplus				(13,917)
Loss attributable to owners of parent				(18,959)
Net changes in items other than shareholders' equity	—	—	2,696	2,696
<b>Total change in items during period</b>	<b>—</b>	<b>—</b>	<b>2,696</b>	<b>(30,180)</b>
Balance at end of period	¥—	¥—	¥2,696	¥1,350,000

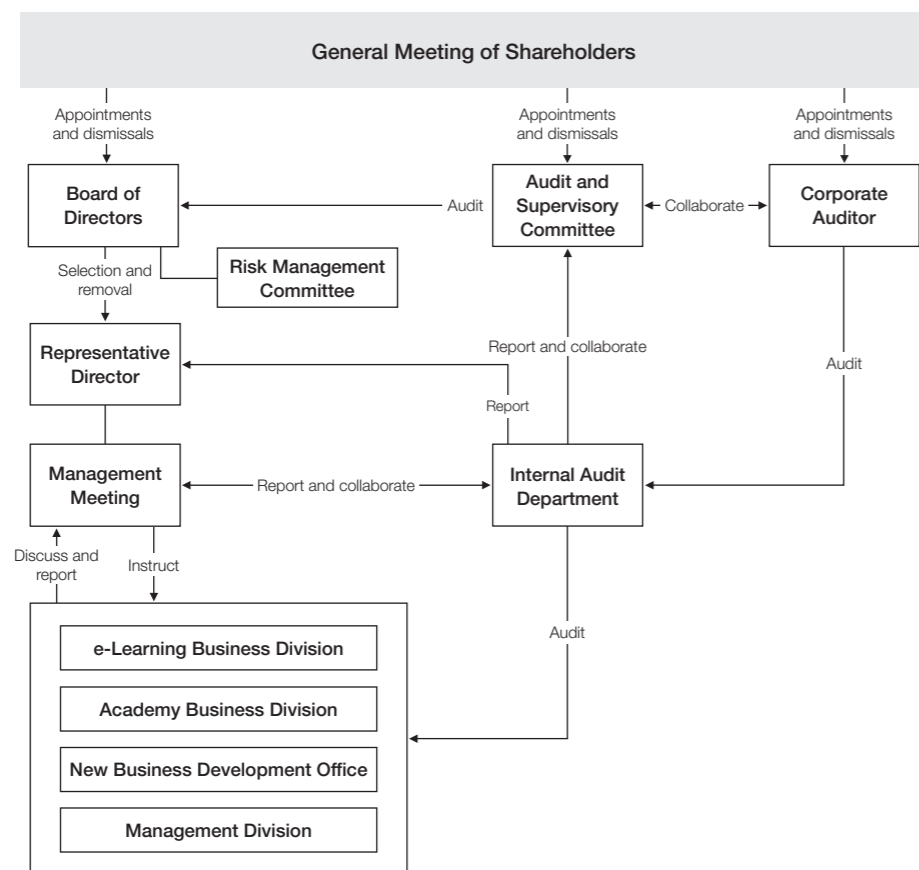
FY10/2020 (November 1, 2019 to October 31, 2020) (Unit: Thousands of yen)					
	Shareholders' equity				
	Share capital	Capital surplus	Retaining earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥705,940	¥667,838	¥ (13,818)	¥(12,656)	¥1,347,304
Change in items during period					
Dividends of surplus			(13,917)		(13,917)
Profit attributable to owners of parent			154,940		154,940
Net changes in items other than shareholders' equity					
<b>Total change in items during period</b>	<b>—</b>	<b>—</b>	<b>141,023</b>	<b>—</b>	<b>141,023</b>
Balance at end of period	¥705,940	¥667,838	¥127,204	¥(12,656)	¥1,488,327

FY10/2020 (November 1, 2019 to October 31, 2020) (Unit: Thousands of yen)				
	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	¥ —	¥ —	¥ 2,696	¥1,350,000
Change in items during period				
Dividends of surplus				(13,917)
Profit attributable to owners of parent				154,940
Net changes in items other than shareholders' equity	47,913	47,913	8,891	56,805
<b>Total change in items during period</b>	<b>47,913</b>	<b>47,913</b>	<b>8,891</b>	<b>197,828</b>
Balance at end of period	¥47,913	¥47,913	¥11,588	¥1,547,829

## Consolidated Statement of Cash Flows

FY10/2019 (January 1, 2019 to October 31, 2019)			FY10/2020 (November 1, 2019 to October 31, 2020)		
<b>Cash flows from operating activities</b>					
(Loss) profit before income taxes	¥ (5,641)		¥ 156,419		
Depreciation	15,721		31,276		
Amortization of goodwill	—		59,571		
Gain on bargain purchase	—		(135,180)		
Head office relocation expenses	—		12,621		
Loss on disposal of license	—		3,964		
Loss on disposal of machinery	—		422		
Loss on retirement of non-current assets	97		—		
Loss on sales of non-current assets	—		2,415		
Gain on sales of investment securities	—		(826)		
Decrease (increase) in trade receivables	24,313		(82,294)		
(Decrease) Increase in trade payables	(27,219)		44,830		
Decrease in unearned revenue	(33,295)		(58,709)		
Other	23,339		37,366		
<b>Subtotal</b>	<b>(2,684)</b>		<b>71,877</b>		
Interest and dividends received	917		3,143		
Interest paid	(116)		(2,112)		
Income taxes paid	(48,484)		(8,831)		
Income taxes refund	—		45,294		
<b>Net cash (used in) provided by operating activities</b>	<b>(50,368)</b>		<b>109,371</b>		
<b>Cash flows from investing activities</b>					
Purchase of intangible assets	(34,988)		(57,930)		
Payments of leasehold deposits	(9,397)		(3,155)		
Proceeds from refund of leasehold deposits	32,932		21,942		
Proceeds from withdrawal of investment in investment partnership	148,039		—		
Collection of loans receivable	210,000		59,463		
Loan advances	—		(50,000)		
Proceeds from sales of investment securities	—		6,670		
Purchases of investment securities	—		(421,426)		
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(227,520)		(143,647)		
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—		28,070		
Other	(1,546)		(1,931)		
<b>Net cash provided by (used in) investing activities</b>	<b>117,518</b>		<b>(561,943)</b>		
<b>Cash flows from financing activities</b>					
Net increase in short-term borrowings	—		30,000		
Repayment of long-term borrowings	(1,694)		(332,773)		
Proceeds from long-term borrowings	100,000		250,000		
Dividends paid	(13,878)		(13,884)		
<b>Net cash provided by (used in) financing activities</b>	<b>84,427</b>		<b>(66,657)</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>151,577</b>		<b>(519,230)</b>		
<b>Cash and cash equivalents at beginning of period</b>	<b>919,843</b>		<b>1,071,421</b>		
<b>Cash and cash equivalents at end of period</b>	<b>¥1,071,421</b>		<b>¥ 552,191</b>		

Kushim has built an organizational framework that responds promptly to changes in the management environment and a fair management system that emphasizes shareholders, and the Company believes that maintaining this is an important management issue. Based on this understanding, we strive to strengthen the framework so that corporate governance functions effectively.



**Board of Directors**

The Board of Directors is chaired by the President and Representative Director, and comprises eight members (of whom three are outside directors), including directors and Audit and Supervisory Committee members. The Board of Directors is the highest management decision-making body and meets once a month in principle. In the event of an important matter arising, an extraordinary Board of Directors meeting can be held at any time.

**Management Meeting**

The Management Meeting is chaired by the President and Representative Director, and comprises standing directors and the four people heading each of the departments. The Management Meeting is held as needed to speed up management and maintain competitiveness.

**Audit and Supervisory Committee**

The Audit and Supervisory Committee comprises three director members, of whom two are independent outside directors. The Audit and Supervisory Committee meets once a month in principle to audit basic management policies, matters stipulated by laws and regulations, and important matters related to management.

**Internal Audit Department**

The Internal Audit Department, an audit organization that reports directly to the President and Representative Director, audits the Company's operations and assets, and conducts internal audits with the aim of contributing to rationalization and acceleration of management, and the preservation of assets. The Internal Audit Department is made up of the person in charge of internal control, and collaborates with the Audit and Supervisory Committee as proper.

**Corporate Auditor**

The Corporate Auditor exchanges information with the Audit and Supervisory Committee and Internal Audit Department as necessary. UHY Tokyo & Co. was newly appointed as corporate auditor at the 24th Ordinary General Meeting of Shareholders held on January 28, 2020.

**Reasons for Appointments as Outside Directors**

The following three people have been appointed as the Company's outside directors to maintain management objectivity and enhance corporate governance.

**Yuichi Iwano**

Mr. Yuichi Iwano was appointed as an independent director as he is judged to meet the requirements for independence, has no risk of conflict of interest with general shareholders, and can fulfill a role of ensuring the suitability and ability to compromise in decision-making by the Board of Directors.

**Masakatsu Mochizuki**

Mr. Masakatsu Mochizuki was appointed as an independent director as he is judged to meet the requirements for independence, has no risk of conflict of interest with general shareholders, and can fulfill a role of ensuring the suitability and ability to compromise in decision-making by the Board of Directors.

**Hidehisa Ogawa**

Mr. Hidehisa Ogawa was appointed as an independent director as he is judged to be able to use his knowledge and experience as a judicial and administrative scrivener in management of the Company, meet the requirements for independence, have no risk of conflict of interest with general shareholders, and fulfill a role of ensuring the suitability and ability to compromise in decision-making by the Board of Directors.

**Reason for Choosing the Current Corporate Governance Framework**

Kushim is a company with an audit and supervisory committee and a management framework of five directors (of whom one is an outside director) and three directors who are members of the Audit and Supervisory Committee (of whom two are outside directors). The Company takes into account work history and relationship to the company, judges the appointment of outside officers based on whether sufficient independence can be ensured in the execution of their duties as outside officers who are independent from execution of duties and can be expected to supervise the appropriateness of management decisions overall and objectively. The Audit and Supervisory Committee comprises three members, two of whom are outside directors to realize effective audits from an independent standpoint. The Company judges that outside directors and Audit and Supervisory Committee members who are outside directors can sufficiently fulfill their management supervision functions by attending meetings of the Board of Directors, the Company's highest management decision-making body.



**Hiroki Nakagawa**

President and Representative Director

April 2016 Director, FISCO COIN (now Zaif Inc.)  
 May 2016 Director, FISCO Research & Institute (current)  
 October 2017 Director, FISCO Digital Asset Group (current)  
 October 2017 Director of the Company  
 June 2018 Director, regist ART Inc.  
 March 2019 President and Representative Director of the Company (current)  
 October 2019 President and Representative Director, aim-soft Inc. (now Kushim Soft Inc.) (current)  
 November 2019 President and Representative Director, Tokyo Tech Corporation (now Kushim Technologies Inc.) (current)  
 March 2020 President and Representative Director, CCCT Inc. (now Kushim Insight, Inc.) (current)  
 May 2020 President and Representative Director, Care Dynamics Limited (current)  
 July 2020 Director, CAICA, Inc. (current)



**Daisuke Ito**

Director

April 2002 Joined Japan Asia Investment Co., Ltd.  
 May 2006 Joined Foot therapy  
 March 2009 Joined Titticaca Corporation  
 October 2016 General Manager, Business Development Division, Jitsugyo no Nihon Sha, Ltd.  
 October 2017 Director of the Company (current)  
 November 2019 Director, Tokyo Tech Corporation (now Kushim Technologies Inc.) (current)  
 March 2020 Director, CCCT Inc. (now Kushim Insight, Inc.) (current)  
 July 2020 Director, CAICA, Inc. (current)



**Yuichi Iwano**

Outside Director

April 1987 Joined Jitsugyo No Nihon Sha Ltd.  
 March 2016 President and Representative Director, Jitsugyo No Nihon Sha Ltd. (current)  
 August 2016 President and Representative Director, Asaka Co., Ltd. (current)  
 August 2016 President and Representative Director, SUN ART Co., LTD.  
 June 2017 Director, Japan Trip Co., Ltd. (now KMI Co., Ltd.) (current)  
 March 2019 Director of the Company (current)  
 June 2019 Director, regist ART Inc. (current)  
 September 2019 Director, NCXX Solutions Inc. (current)  
 October 2019 Director, KMI Co., Ltd. (current)  
 March 2020 Director, SUN ART Co., LTD. (current)



**Kenji Yamaguchi**

Director (Audit and Supervisory Committee member)

February 2003 Joined SEQUEEDGE Inc. (now Sequeedge Japan Holdings Inc.)  
 September 2003 Director, SEQUEEDGE Inc.  
 February 2010 Joined Sequeedge Partners Inc. (now Vantage Partners Inc.)  
 July 2011 Director, SEQUEEDGE INVESTMENT INTERNATIONAL LIMITED  
 March 2014 Representative Director, Sequeedge Investment Inc. (now Sequeedge Japan Holdings Inc.)  
 June 2015 Representative Director, SJI Inc. (now CAICA Inc.)  
 January 2016 Senior Managing Director and Representative Director, SJI Inc. (now CAICA Inc.)  
 February 2017 Director, Tokyo Tech Corporation (now Kushim Technologies Inc.)  
 August 2017 Director, NCXX Inc. (current)  
 August 2017 Director, NCXX Solutions Inc.  
 November 2017 Director, CCCT Inc. (now Kushim Insight, Inc.) (current)  
 February 2018 Director, eWarrant Japan Securities K.K. (current)  
 February 2018 Director, EWARRANT INTERNATIONAL LTD. (current)  
 February 2018 Director, EWARRANT FUND LTD. (current)  
 February 2019 Vice President and Representative Director, CAICA Inc. (current)  
 March 2019 Director of the Company (Audit and Supervisory Committee member) (current)  
 October 2019 Director, CAICA Split Preparation Company (now CAICA Technologies Inc.) (current)  
 November 2020 Director, CAICA Digital Partners Inc. (current)



**Motoki Sato**

Director

September 2012 Director, Diamond Agency, Inc. (now FISCO, Ltd.)  
 March 2014 Director, FISCO Ltd. (current)  
 May 2014 Director, CareOnline Inc. (now Care Dynamics Limited) (current)  
 July 2014 President and Representative Director, General Solutions, Inc. (now FISCO Ltd.)  
 December 2014 Director, Chanty co., Ltd. (current)  
 January 2018 Director, CAICA, Inc. (current)  
 March 2019 Director of the Company (current)  
 December 2019 Representative Director, Vulcan Crypto Currency Financial Products K.K. (current)



**Shin Suzuki**

Director

March 1991 Joined Japan Systems Creation Inc. (now CAICA Inc.)  
 April 2005 Executive Officer and General Manager, Solutions Development Division 1, IBeT Co., Ltd. (now CAICA Inc.)  
 April 2008 Executive Officer and General Manager, Solutions Business Department 2, SJ Alpine Co., Ltd. (now CAICA Inc.)  
 August 2009 Director, Liandi (Nanjing) Information Systems Co., Ltd.  
 January 2013 Director and General Manager, Care Information Systems Department, CareOnline Inc. (now Care Dynamics Limited)  
 July 2013 General Manager, Service Business Department, Domestic Business Division, CAICA Inc.  
 April 2014 General Manager, Business Department 1, Operations Division, CAICA Inc.  
 April 2016 Division Director, Business Division 1, CAICA Inc.  
 January 2018 CEO, President and Representative Director, CAICA Inc. (current)  
 January 2018 Director, CCCT Inc. (now Kushim Insight, Inc.) (current)  
 December 2018 Director, Tokyo Tech Corporation (now Kushim Technologies Inc.) (current)  
 December 2018 CEO, President and Representative Director, CCCT Inc. (now Kushim Insight, Inc.) (current)  
 July 2019 Director of the Company (current)  
 August 2019 Director, Fisco Cryptocurrency Exchange Inc. (now Zaif Inc.) (current)  
 October 2019 Director, aim-soft Inc. (now Kushim Soft Inc.) (current)  
 October 2019 President and Representative Director, CAICA Split Preparation Company (now CAICA Technologies Inc.) (current)  
 November 2019 Director, Kushim Technologies Inc. (current)  
 March 2020 Vice President and Representative Director, CCCT Inc. (now Kushim Insight, Inc.) (current)  
 November 2020 President and Representative Director, CAICA Digital Partners Inc. (current)



**Hidehisa Ogawa**

Outside Director (Audit and Supervisory Committee member)

April 1996 Joined SHIMAMOTO JUDICIAL AGENT OFFICE  
 November 2015 Acquired qualification as a judicial scrivener  
 April 2016 Registered as a judicial scrivener  
 January 2018 Acquired qualification as an administrative scrivener  
 April 2019 Opened Ogawa shiho-shoshi lawyers office  
 January 2020 Director of the Company (Audit and Supervisory Committee member) (current)



**Masakatsu Mochizuki**

Outside Director (Audit and Supervisory Committee member)

February 2003 Joined as Administrative Manager, Nursing Care Promotion Division, SEQUEEDGE Inc. (now Sequeedge Japan Holdings Inc.)  
 April 2006 Joined Social Welfare Corporation Zenkoukai  
 April 2007 Administrative Manager, Nursing and healthcare facility for elderly "AQUA HIGASHI-KOJIYA"  
 November 2007 General Manager, Corporate Management Division, Nursing and healthcare facility for elderly "AQUA HIGASHI-KOJIYA"  
 December 2007 Director, Nursing and healthcare facility for elderly "AQUA HIGASHI-KOJIYA"  
 March 2008 Facility head, Support facility for the physically challenged "AMICUS HIGASHI-KOJIYA"  
 April 2014 Manager, Legal Affairs Division, Corporate Management Division, Support facility for the physically challenged "AMICUS HIGASHI-KOJIYA"  
 July 2018 Legal Affairs Division, Administrative Division, Support facility for the physically challenged "AMICUS HIGASHI-KOJIYA"  
 March 2019 Director of the Company (Audit and Supervisory Committee member) (current)  
 March 2019 Auditor, FISCO Ltd. (current)  
 August 2019 Auditor, Fisco Cryptocurrency Exchange Inc. (now Zaif Inc.) (current)  
 December 2019 Auditor, Vulcan Crypto Currency Financial Products K.K. (current)  
 March 2020 Auditor, CCCT Inc. (now Kushim Insight, Inc.) (current)



(As of October 31, 2020)

### Corporate Information

Company Name	Kushim Inc.
Address	3F VORT Minami Aoyama I, 6-7-2 Minami Aoyama, Minato-ku, Tokyo
Date of Establishment	June 12, 1997
Representative	Hiroki Nakagawa
Capital	¥705 million
Number of Employees	Non-consolidated: 15 Consolidated: 85

### Corporate Stock Summary

Securities Code	2345
Listed Stock Exchanges	Second Section, Tokyo Stock Exchange
Number of Shares Per Unit	100 shares
Number of Shares Issued	4,004,600 shares
Fiscal Year	November 1 until October 31 of the following year

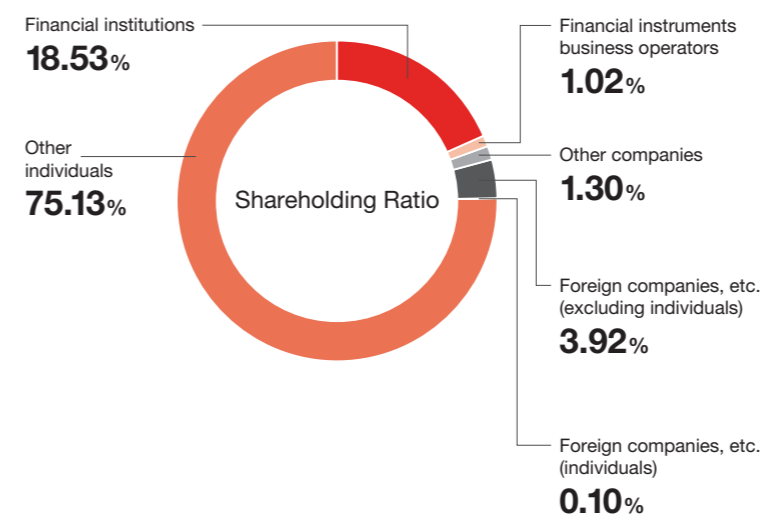
### Major Shareholders

Names	Number of shares	Ratio of shares owned to the total number of issued shares (excluding treasury stock) (%)
JAPAN SECURITIES FINANCE CO., LTD.	510,800	12.84
Custody Bank of Japan, Ltd. (Trust Account)	230,800	5.80
Takeshi Morisawa	80,000	2.01
GOLDMAN SACHS INTERNATIONAL (Standing proxy: Goldman Sachs Japan Co., Ltd.)	62,200	1.56
Eiji Mikami	35,600	0.89
J.P. Morgan Securities plc (Standing proxy: JPMorgan Securities Japan Co., Ltd.)	33,200	0.83
ML INTL EQUITY DERIVATIVES (Standing proxy: Merrill Lynch Japan Securities Co., Ltd.)	33,000	0.82
Masanobu Tani	30,000	0.75
Daichi Morita	27,000	0.67
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	20,800	0.52

### Stock Chart



### Share Ownership



### Websites

- Kushim Inc.  
<https://www.kushim.co.jp/>
- Kushim Soft Inc.  
<https://www.kushim-soft.co.jp/>
- Kushim Technologies Inc.  
<http://kushim-tech.co.jp/index.html>
- Kushim Insight, Inc.  
<https://kushim-insight.co.jp/index.html>
- Care Dynamics Limited  
<http://www.care-dynamics.jp/>
- e frontier, Inc.  
<http://www.e-frontier.com/>